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ABSTRACT

This document is concerned with the question of deciding institutional eligibility for participation in Federal higher education programs. Part 1 of the hearings deals with accreditation. The contents include statements by the members of the house committee and various witnesses. Letters, prepared statements, and supplemental materials are also included concerning the accreditation issue. The extensive appendix includes articles, publications, background information, letters, and newspaper articles also concerning accreditation. The hearings were held in Washington D.C., July 18, 19, and 25, 1974. (PG)

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FEDERAL HIGHER EDUCATION PROGRAMS INSTITUTIONAL ELIGIBILITY

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HEARINGS

BEFORE THE

SPECIAL SUBCOMMITTEE ON EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

NINETY-THIRD CONGRESS

SECOND SESSION

PART 1

ACCREDITATION

HEARINGS HELD IN WASHINGTON, D.C.
JULY 16, 17 AND 25, 1974

Printed for the use of the Committee on Education and Labor
CARL D. PERKINS, Chairman

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Printed for the use of the Committee on Education and Labor
CARL D. PERKINS, *Chairman*

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FEDERAL HIGHER EDUCATION PROGRAMS INSTITUTIONAL ELIGIBILITY

THURSDAY, JULY 18, 1974

House of Representatives,
Special Subcommittee on Education of the
Committee on Education and Labor,
Washington, D.C.

The subcommittee met at 9:15 a.m., pursuant to notice in room 2175, Rayburn House Office Building, Washington, D.C., Hon. James G. O'Hara presiding.

Present: Representatives O'Hara, Brademas, Dellenback and Bell.

Staff present: William F. Gaul, associate general counsel; Webb Buell, counsel; Robert Andringa, minority staff director; John Lee, minority staff; Elnora Teets, clerk.

Mr. O'Hara. The subcommittee will come to order.

We have been holding public hearings throughout this session of Congress with a view to the development of a new title IV of the Higher Education Act.

Today we turn to a question which crosses program lines. The basic question to be raised in these next few days is: "How do we decide when an institution of higher education and its students are qualified to participate in Federal education programs?"

I am not referring, of course, to the financial or intellectual qualifications of the individual students. I am looking at the kinds of education we are trying to provide to the American people and the kinds of institutions in which we want to see them get that education.

In statutory provision, and in regulation—and I have directed the staff to insert such statutory provisions and regulations in the record of this hearing at the conclusion of these remarks—institutions of higher education are defined as those which have been accredited by a nationally recognized accrediting organization, or which the Commissioner has reason to believe will be accredited.

The law and the regulations, then, provide significant leeway for the exercise of judgment by accrediting organizations and by the Commissioner of Education himself.

In the case of the guaranteed loan program, the Commissioner of Education has the authority under section 438 of the act to establish "reasonable standards of financial responsibility and appropriate institutional capability," and he is given further authority to limit, suspend, or terminate the eligibility of institutions which have violated or failed to carry out any regulation under the loan program.

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That same section gives the Commissioner the duty of publishing a list of State agencies which he determines to be reliable authority as to the quality of public postsecondary vocational education in their respective States for the purpose of determining eligibility for all Federal student assistance programs.

The authority provided by law may be, and I am advised that some Federal officials so consider it, inadequate to deal with the question of deciding institutional eligibility for participation in these programs, or some of them at least.

One of the issues we will explore in these hearings is the adequacy of the law and regulations on that subject.

When we complete these hearings we will know more about accreditation, what it means, what it implies, what it does not mean and whether additional or alternative means of deciding upon the eligibility of institutions are required and should be provided for in the law.

[The documents referred to follow:]

Higher Education Act of 1965 as Amended, Title IV, Part A

Subpart 1—Basic Educational Opportunity Grants

* * * * * * *

BASIC EDUCATIONAL OPPORTUNITY GRANTS: AMOUNT AND DETERMINATIONS; APPLICATIONS

Sec. 411. (a)(1) The Commissioner shall, during the period beginning July 1, 1972, and ending June 30, 1975, pay to each student who has been accepted for enrollment in, or is in good standing at, an institution of higher education (according to the prescribed standards, regulations, and practices of that institution) for each academic year during which that student is in attendance at that institution, as an undergraduate, a basic grant in the amount for which that student is eligible, as determined pursuant to paragraph (2).

BEOG Regulations 45 C.F.R. 190.2

(i) "Institution of higher education" means an educational institution in any State which (1) admits as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such a certificate, (2) is legally authorized within such State to provide a program of education beyond secondary education, (3) provides an educational program for which it awards a bachelor's degree or provides not less than a two-year program which is acceptable for full credit toward such a degree, (4) is a public or other nonprofit institution, and (5) is accredited by a nationally recognized accrediting agency or association or, if not so accredited, (i) is an institution with respect to which the Commissioner has determined that there is satisfactory assurance, considering the resources available to the institution, the period of time, if any, during which it has operated, the effort it is making to meet accreditation standards, and the purpose for which this determination is being made, that the institution will meet the accreditation standards of such an agency or association within a reasonable time, or (ii) is an institution whose credits are accepted, on transfer, by not less than three institutions which are so accredited, for credit on the same basis as if transferred from an institution so accredited.

Such term also includes any school which provides not less than a one-year program of training to prepare students for gainful employment in a recognized occupation and which meets the provision of paragraph (i) (1), (2), (4), and (5) of this section, and any proprietary institution of higher education as defined in paragraph (j) of this section, which has an agreement with the Commissioner containing such terms and conditions as the Commissioner determines to be necessary to insure that the availability of assistance to students at the

school under this part has not resulted, and will not result, in an increase in the tuition, fees, or other charges to such students.

(j) "Proprietary institution of higher education" means a school which (1) provides not less than a six-month program of training to prepare students for gainful employment in a recognized occupation, (2) admits as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such a certificate, (3) is legally authorized by the State in which it is located to provide a program of education beyond secondary education, (4) is accredited by a nationally recognized accrediting agency or association approved by the Commissioner for this purpose, (5) is not a public or other nonprofit institution, and (6) has been in existence for at least two years.

(k) "Nonprofit" as applied to a school, agency, organization, or institution means a school, agency, organization or institution owned and operated by one or more nonprofit corporations or associations, no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual.

SUBPART 2—SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS

SELECTION OF RECIPIENTS; AGREEMENTS WITH INSTITUTIONS

SEC. 413C. (a)(1) An individual shall be eligible for the award of a supplemental grant under this subpart by an institution of higher education which has made an agreement with the Commissioner pursuant to subsection (b), if the individual makes application at the time and in the manner prescribed by that institution, in accordance with regulations of the Commissioner.

(2) From among those who are eligible for supplemental grants through an institution which has an agreement with the Commissioner under subsection (b) for each fiscal year, the institution shall, in accordance with such agreement under subsection (b), and within the amount allocated to the institution for that purpose for that year under section 413D(b) select individuals who are to be awarded such grants and determine, in accordance with section 413B, the amounts to be paid to them. An institution shall not award a supplemental grant to an individual unless it determines that—

(A) he has been accepted for enrollment as an undergraduate student at such institution or, in the case of a student already attending such institution, is in good standing there as an undergraduate;

(B) he shows evidence of academic or creative promise and capability of maintaining good standing in this course of study;

(C) he is of exceptional financial need; and

(D) he would not, but for a supplemental grant, be financially able to pursue a course of study at such institution.

(i) who is pursuing a course of study leading to a first degree in a program of study which is designed by the institution offering it to extend over five academic years, or

(ii) who is because of his particular circumstances determined by the institution to need an additional year to complete a course of study normally requiring four academic years, such period may be extended for not more than one additional academic year.

(2) A supplemental grant awarded under this subpart shall entitle the student to whom it is awarded to payments pursuant to such grant only if—

(A) that student is maintaining satisfactory progress in the course of study he is pursuing, according to the standards and practices of the institution awarding the grant, and

(B) that student is devoting at least half-time to that course of study, during the academic year, in attendance at that institution.

Failure to be in attendance at the institution during vacation periods or periods of military service, or during other periods during which the Commissioner determines, in accordance with regulations, that there is good cause for his nonattendance, shall not render a student ineligible for a supplemental grant; but no payments may be made to a student during any such period of failure to be in attendance or period of nonattendance.

SELECTION OF RECIPIENTS; AGREEMENTS WITH INSTITUTIONS

SEC. 413c. (a) (1) An individual shall be eligible for the award of a supplemental grant under this subpart by an institution of higher education which has made an agreement with the Commissioner pursuant to subsection (b), if the individual makes application at the time and in the manner prescribed by that institution, in accordance with regulations of the Commissioner.

(2) From among those who are eligible for supplemental grants through an institution which has an agreement with the Commissioner under subsection (b) for each fiscal year, the institution shall, in accordance with such agreement under subsection (b), and within the amount allocated to the institution for that purpose for that year under section 413D(b)select individuals who are to be awarded such grants and determine, in accordance with section 413B, the amounts to be paid to them. An institution shall not award a supplemental grant to an individual unless it determines that—

(A) he has been accepted for enrollment as an undergraduate student at such institution or, in the case of a student already attending such institution, is in good standing there as an undergraduate;

(B) he shows evidence of academic or creative promise and capability of maintaining good standing in this course of study;

(C) he is of exceptional financial need; and

(D) he would not, but for a supplemental grant, be financially able to pursue a course of study at such institution.

SEOG Regulations 45 C.F.R. 176.2

(m) "Institution of higher education" means an educational institution in any State which (1) admits as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such a certificate, (2) is legally authorized within such State to provide a program of education beyond secondary education, (3) provides an educational program for which it awards a bachelor's degree or provides not less than a two-year program which is acceptable for full credit toward such a degree, (4) is a public or other nonprofit institution, and (5) is accredited by a nationally recognized accrediting agency or association or, if not so accredited, (i) is an institution with respect to which the Commissioner has determined that there is satisfactory assurance, considering the resources available to the institution, the period of time, if any, during which it has operated, the effort it is making to meet accreditation standards, and the purpose for which this determination is being made, that the institution will meet the accreditation standards of such an agency or association within a reasonable time, or (ii) is an institution whose credits are accepted, on transfer by not less than three institutions which are so accredited, for credit on the same basis as if transferred from an institution so accredited.

Such term also includes any school which provides not less than a one-year program of training to prepare students for gainful employment in a recognized occupation and which meets the provision of paragraph (m) (1), (2), (4), and (5) of this section unless the school is a public institution in which case it may also be accredited by the State agency in that State which has been listed by the Commissioner as a reliable authority as to the quality of public postsecondary vocational education in that State, and any proprietary institution of higher education, as defined in § 176.2, which has an agreement with the Commissioner containing such terms and conditions as the Commissioner determines to be necessary to insure that the availability of assistance to students at the school under this title has not resulted, and will not result, in an increase in the tuition, fees, or other charges to such students.

(20 U.S.C. 1087-1 (b), 1141 (a))

(q) "Proprietary institution of higher education" means a school (1) which provides not less than a six-month program of training to prepare students for gainful employment in a recognized occupation, (2) which admits as regular students, only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such a certificate, (3) which is legally authorized by the State in which it is located to provide a program of education beyond secondary education, (4) which is accredited by a nationally recognized accrediting agency or association approved by the Commissioner for this purpose, (5) which is not a public or other nonprofit institution, and (6) which has been in existence for at least two years.

SUBPART 3—GRANTS TO STATES FOR STATE STUDENT INCENTIVES

PURPOSE; APPROPRIATIONS AUTHORIZED

SEC. 415A. (a) It is the purpose of this subpart to make incentive grants available to the States to assist them in providing grants to eligible students in attendance at institutions of higher education.

SSIG Regulations 45 C.F.R. 192.2

"Institution of higher education" means an educational institution in any State which (1) admits as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such a certificate, (2) is legally authorized within such State to provide a program of education beyond secondary education, (3) provides an educational program for which it awards a bachelor's degree or provides not less than a two-year program which is acceptable for full credit toward such a degree, (4) is a public or other nonprofit institution, and (5) is accredited by a nationally recognized accrediting agency or association or, if not so accredited, (i) is an institution with respect to which the Commissioner has determined that there is satisfactory assurance, considering the resources available to the institution, the period of time, if any, during which it has operated, the effort it is making to meet accreditation standards, and the purpose for which this determination is being made, that the institution will meet the accreditation standards of such an agency or association within a reasonable time, or (ii) is an institution whose credits are accepted, or transfer, by not less than three institutions which are so accredited, for credit on the same basis as if transferred from an institution so accredited.

Such term also includes any school which provides not less than a one-year program of training to prepare students for gainful employment in a recognized occupation and which meets the provision of clauses (1), (2), (4), and (5) unless the school is a public institution in which case it may also be accredited by the State agency in that State which has been listed by the Commissioner as a reliable authority as to the quality of public postsecondary vocational education in that State, and any proprietary institution of higher education, as defined in § 192.2, which has an agreement with the Commissioner containing such terms and conditions as the Commissioner determines to be necessary to insure that the availability of assistance to students at the school under this part has not resulted, and will not result, in an increase in the tuition, fees, or other charges to such students.

"Proprietary institution of higher education" means a school (1) which provides not less than a six-month program of training to prepare students for gainful employment in a recognized occupation, (2) which admits as regular students only persons having a certificate of graduation from a school providing secondary education or the recognized equivalent of such a certificate, (3) which is legally authorized by the State in which it is located to provide a program of education beyond secondary education, (4) which is accredited by a nationally recognized accrediting agency or association approved by the Commissioner for this purpose, (5) which is not a public or other nonprofit institution, and (6) which has been in existence for at least two years.

SUBPART 4—SPECIAL PROGRAMS FOR STUDENTS FROM DISADVANTAGED BACKGROUNDS

AUTHORIZED ACTIVITIES

SEC. 417B. (a) The Commissioner is authorized (without regard to section 3709 of the Revised Statutes (41 U.S.C. 5)) to make grants to, and contracts with, institutions of higher education, including institutions with vocational and career education programs, combinations of such institutions, public and private agencies and organizations (including professional and scholarly associations), and, in exceptional cases, secondary schools and secondary vocational schools, for planning, developing, or carrying out within the States one or more of the services described in section 417(a).

"TRIO" Regulations 45 C.F.R. 152.2

(e) The term "Institution of Higher Education" means an educational institution in any State which meets the requirements set forth in section 1201(a) of the Act.

(f) The term "Post-Secondary School" means a public or private nonprofit institution which meets the requirements set forth in section 435(c) of the Act.

VETERANS COST-OF-INSTRUCTION PAYMENTS TO INSTITUTIONS OF HIGHER EDUCATION

SEC. 420. (a)(1) During the period beginning July 1, 1972 and ending June 30, 1975, each institution of higher education shall be entitled to a payment under, and in accordance with, this section during any fiscal year, if the number of persons who are veterans receiving vocational rehabilitation under chapter 31 of title 38, United States Code, or veterans receiving educational assistance under chapter 34 of such title, and who are in attendance as undergraduate students at such institution during any academic year, equals at least 110 per centum of the number of such recipients who were in attendance at such institution during the preceding academic year.

(2) During the period specified in paragraph (1), each institution which has qualified for a payment under this section for any year shall be entitled during the succeeding year, notwithstanding paragraph (1), to a payment under and in accordance with this section, if the number of persons referred to in such paragraph (1) equals at least the number of such persons who were in attendance at such institution during the preceding academic year. Each institution which is entitled to a payment for any fiscal year by reason of the preceding sentence shall be deemed, for the purposes of any such year succeeding the year.

VCOI Regulations 45 C.F.R. 189.1

"Institution of higher education," or "institution," means an educational institution in any State which: (a) Admits as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such a certificate, (b) is legally authorized within such State to provide a program of education beyond secondary education, (c) provides an educational program for which it awards a bachelor's degree or provides not less than a 2-year program which is acceptable for full credit toward such a degree, (d) is a public or other nonprofit institution, and (e) is accredited by a nationally recognized accrediting agency or association as determined by the Commissioner or, if not so accredited, (1) is an institution with respect to which the Commissioner has determined that there is satisfactory assurance, considering the resources available to the institution, the period of time, if any, during which it has operated, the effort it is making to meet accreditation standards, and the purpose for which this determination is being made, that the institution will meet the accreditation standards of such an agency or association within a reasonable time, or (2) is an institution whose credits are accepted, on transfer, by not less than three institutions which are so accredited, for credit on the same basis as if transferred from an institution so accredited. Such term also includes any school which provides not less than a 1-year program of training to prepare students for gainful employment in a recognized occupation and which meets the provisions of clauses (a), (b), (d), and (e) of this definition.

PART B—FEDERAL, STATE, AND PRIVATE PROGRAMS OF LOW-INTEREST INSURED LOANS TO STUDENTS IN INSTITUTIONS OF HIGHER EDUCATION

DEFINITIONS FOR REDUCED-INTEREST STUDENT LOAN INSURANCE PROGRAM

SEC. 435. As used in this part:

(a) The term "eligible institution" means (1) an institution of higher education, (2) a vocational school, or (3) with respect to students who are nationals of the United States, an institution outside the States which is comparable to an institution of higher education or to a vocational school and which has been approved by the Commissioner for purposes of this part.

(b) The term "institution of higher education" means an educational institution in any State which (1) admits as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such certificate (2) is legally authorized within such State to provide a program of education beyond secondary education, (3) provides an educational program for which it awards a bachelor's degree or provides not less than a two-year program which is acceptable for full credit toward such a degree, (4) is a public or other nonprofit institution, and (5) is accredited by a nationally recognized accrediting agency or association approved by the Commissioner for this purpose or, if not so accredited, (A) is an institution with respect to which the Commissioner has determined that there is satisfactory assurance, considering the resources available to the institution, the period of time, if any, during which it has operated, the effort it is making to meet accreditation standards, and the purpose for which this determination is being made, that the institution will meet the accreditation standards of such an agency or association within a reasonable time, or (b) is an institution whose credits are accepted on transfer by not less than three institutions which are so accredited, for credit on the same basis as if transferred from an institution so accredited. Such term includes any public or other nonprofit collegiate or associate degree school of nursing and any school which provides not less than a one-year program of training to prepare students for gainful employment in a recognized occupation and which meets the provisions of clauses (1), (2), (4), and (5). If the Commissioner determines that a particular category of such schools does not meet the requirements of clause (5) because there is no nationally recognized accrediting agency or association qualified to accredit schools in such category, he shall, pending the establishment of such an accrediting agency or association, appoint an advisory committee, composed of persons specially qualified to evaluate training provided by schools in such category, which shall (i) prescribe the standards of content, scope, and quality which must be met in order to qualify schools in such category to participate in the program pursuant to this part, and (ii) determine whether particular schools not meeting the requirements of clause (5) meet those standards. For purposes of this subsection, the Commissioner shall publish a list of nationally recognized accrediting agencies or associations which he determines to be reliable authority as to the quality of training offered.

(c) The term "vocational school" means a business or trade school, or technical institution or other technical or vocational school, in any State, which (1) admits as regular students only persons who have completed or left elementary or secondary school and who have the ability to benefit from the training offered by such institution; (2) is legally authorized to provide, and provides within that State, a program of postsecondary vocational or technical education designed to fit individuals for useful employment in recognized occupations; (3) has been in existence for two years or has been specially accredited by the Commissioner as an institution meeting the other requirements of this subsection; and (4) is accredited (A) by a nationally recognized accrediting agency or association listed by the Commissioner pursuant to this clause, (B) if the Commissioner determines that there is no nationally recognized accrediting agency or association qualified to accredit schools of a particular category, by a State agency listed by the Commissioner pursuant to this clause and (C) if the Commissioner determines there is no nationally recognized or State agency or association qualified to accredit schools of a particular category, by an advisory committee appointed by him and composed of persons specially qualified to evaluate training provided by schools of that category, which committee shall prescribe the standards of content, scope, and quality which must be met by those schools in order for loans to students attending them to be insurable under this part and shall also determine whether particular schools meet those standards. For the purpose of this subsection, the Commissioner shall publish a list of nationally recognized accrediting agencies or associations and State agencies which he determines to be reliable authority as to the quality of education or training afforded.

(d) The term "collegiate school of nursing" means a department, division, or other administrative unit in a college or university which provides primarily or exclusively an accredited program of education in professional nursing and allied subjects leading to the degree of bachelor of arts, bachelor of science, bachelor of nursing, or to an equivalent degree, or to a graduate degree in nursing.

(e) The term "associate degree school of nursing" means a department, division, or other administrative unit in a junior college, community college, college, or university which provides primarily or exclusively an accredited two-year program of education in professional nursing and allied subjects leading to an associate degree in nursing or to an equivalent degree.

(f) The term "accredited" when applied to any program of nurse education means a program accredited by a recognized body or bodies approved for such purpose by the Commissioner of Education.

(g) The term "eligible lender" means an eligible institution, an agency or instrumentality of a State, or a financial or credit institution (including an insurance company) which is subject to examination and supervision by an agency of the United States or of any State, or a pension fund approved by the Commissioner for this purpose.

(h) The term "line of credit" means an arrangement or agreement between the lender and the borrower whereby a loan is paid out by the lender to the borrower in annual installments, or whereby the lender agrees to make, in addition to the initial loan, additional loans in subsequent years.

(20 U.S.C. 1085) Enacted Nov. 8, 1965, P.L. 89–329, Title IV, sec. 435, 79 Stat. 1247; as amended Oct. 29, 1966, P.L. 89–698, Title II. sec. 204, 80 Stat. 1072; amended Oct. 16, 1968, P.L. 90–575, Title I, secs. 116, 118, 82 Stat. 1023–26.

Regulations GSL/FISL 45 C.F.R. 177.1

(e) The term "eligible institution" or "institution" means (1) an institution of higher education, (2) a vocational school, or (3) with respect to students who are nationals of the United States, an institution outside the United States which is comparable to an institution of higher education or to a vocational school and which has been approved by the Commissioner for purposes of this part.

(f) The term "institution of higher education" means an educational institution in any State which (1) admits as regular students only persons having a certificate of graduation from a school providing secondary education or the recognized equivalent of such certificate, (2) is legally authorized within such State to provide a program of education beyond secondary education, (3) provides an educational program for which it awards a bachelor's degree or provides not less than a 2-year program which is acceptable for full credit toward such a degree, (4) is a public or other nonprofit institution, and (5) is accredited by a nationally recognized accrediting agency or association approved by the Commissioner for this purpose or, if not so accredited, (i) is an institution with respect to which the Commissioner has determined that there is satisfactory assurance, considering the resources available to the institution, the period of time, if any, during which it has operated, the effort it is making to meet accreditation standards, and the purpose for which this determination is being made, that the institution will meet the accreditation standards of such an agency or association within a reasonable time, or (ii) is an institution whose credits are accepted on transfer by not less than three institutions which are so accredited, for credit on the same basis as if transferred from an institution so accredited. Such term includes any school which provides not less than a 1 year program of training to prepare students for gainful employment in a recognized occupation and which meets the provisions of subparagraphs (1), (2), (4), and (5) of this paragraph. If the Commissioner determines that a particular category of such schools does not meet the requirements of subparagraph (5) of this paragraph because there is no nationally recognized accrediting agency or association qualified to accredit schools in such category, he shall, pending the establishment of such an accrediting agency or association, appoint an advisory committee, composed of persons specially qualified to evaluate training provided by schools in such category, which shall (*a*) prescribe the standards of content, scope, and quality which must be met in order to qualify schools in such category to participate in the program pursuant to this part, and (*b*) determine whether particular schools not meeting the requirements of subparagraph (5) of this paragraph meet those standards. For purposes of this paragraph, the Commissioner shall publish a list of nationally recognized accrediting agencies or associations which he determines to be reliable authority as to the quality of training offered.

(g) The term "vocational school" means a business or trade school, or technical institution or other technical or vocational school in any State which (1) admits as regular students only persons who have completed or left elementary or secondary school and who have the ability to benefit from the training offered by such institution; (2) is legally authorized to provide, and provides within that State, a program of post-secondary vocational or technical education designed to provide occupational skills more advanced than those generally provided at the high school level and which provides not less than 300 clock hours of classroom instruction or its equivalent, or in the case of a program offered by correspondence, requiring completion in not less than 6 months and designed to fit individuals for useful employment in recognized occupations; (3) has been in existence for 2 years of has been specially accredited by the Commissioner as an institution meeting the other requirements of this paragraph; and (4) is accredited (i) by a nationally recognized accrediting agency or association listed by the Commissioner pursuant to this paragraph, (ii) if the Commissioner determines there is no nationally recognized accrediting agency or association qualified to accredit schools of a particular category, by a State agency listed by the Commissioner pursuant to this paragraph, and (iii) if the Commissioner determines there is no nationally recognized or State agency or association qualified to accredit schools of a particular category, by an advisory committee appointed by him and composed of persons specially qualified to evaluate training provided by schools of that category which committee shall prescribe standards of content, scope, and quality which must be met by those schools in order for loans to students attending them to be insurable under the Act, and shall also determine whether particular schools meet those standards. For the purpose of this paragraph, the Commissioner shall publish a list of nationally recognized accrediting agencies or associations and State agencies which he determines to be reliable authority as to the quality of education or training afforded.

(h) "Eligible lender" means an institution of higher education or vocational school, an agency or instrumentality of a State, a financial or credit institution (including banks, savings and loan associations, credit unions and insurance companies) which is subject to examination and supervision by an agency of the United States or any State, or a pension fund approved by the Commissioner for this purpose. A pension fund, institution of higher education or vocational school will not be approved by the Commissioner unless it can satisfactorily demonstrate that the procedures it has established for making or purchasing loans covered by this part are in accordance with generally accepted commercial lending practices and that it is able to carry out the duties and responsibilities required of it under this part.

ELIGIBILITY OF INSTITUTIONS

SEC. 438. (a) Notwithstanding any other provision of this part, the Commissioner is authorized to prescribe such regulations as may be necessary to provide for—

(1) a fiscal audit of an eligible institution with regard to any funds obtained from a student who has received a loan insured under this part, or insured by a State or nonprofit private institution or organization with which the Commissioner has an agreement under section 428(b);

(2) the establishment of reasonable standards of financial responsibility and appropriate institutional capability for the administration by an eligible institution of a program of student financial aid with respect to funds obtained from a student who has received a loan insured under this part, or insured by a State or nonprofit private institution or organization with which the Com-Commissioner has an agreement under section 428(b);

(3) the limitation, suspension, or termination of the eligibility under this part of any otherwise eligible institution, whenever the Commissioner has determined, after notice and affording an opportunity for hearing, that such insti-

tution has violated or failed to carry out any regulation prescribed under this part.

(b) The Commissioner shall publish a list of State agencies which he determines to be reliable authority as to the quality of public postsecondary vocational education in their respective States for the purpose of determining eligibility for all Federal student assistant programs.

(20 U.S.C. 1087-1) Enacted June 23, 1972, P.L. 92-318, sec. 132E(a), 86 Stat. 264.

PART C WORK STUDY PROGRAMS

GRANTS FOR WORK-STUDY PROGRAMS

SEC. 443. (a) The Commissioner is authorized to enter into agreements with eligible institutions under which the Commissioner will make grants to such institutions to assist in the operation of work-study programs as hereinafter provided.

(b) For the purposes of this part of the term "eligible institution" means an institution of higher education (as defined in section 435(b) of this Act), an area vocational school (as defined in section 8(2) of the Vocational Education Act of 1963), or a proprietary institution of higher education (as defined in section 91 (b) of this Act.

(3) For the purposes of this subsection, the term "proprietary institution of higher education" means a school (A) which provides not less than a six-month program of training to prepare students for gainful employment in a recognized occupation, (B) which meets the requirements of clauses (1) and (2) of section 1201 (a), (C) which does not meet the requirement of section clause (4) of section 1201 (a). (D) which is accredited by a nationally recognized accrediting agency or association approved by the Commissioner for this purpose, and (E) which has been in existence for at least two years. For purposes of this paragraph, the Commissioner shall publish a list of nationally recognized accrediting agencies or associations which he determines to be reliable authority as to the quality of training offered.

CWS Regulations 45 C.F.R. 175.2

(1) "Institution of higher education" means an educational institution in any State which meets the requirements of section 435(b) of the Higher Education Act of 1965. The term "educational institution" limits the scope of this definition to establishments where teaching is conducted and which have an identity of their own (42 U.S.C. 2753(b)).

(v) "Proprietary institution of higher education" means a private profit making educational institution in any State which (1) provides not less than a 6-month program of training to prepare students for gainful employment in a recognized occupation, (2) admits as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such a certificate, (3) is legally authorized within such State to provide a program of education beyond secondary school, (4) is accredited by a nationally recognized accrediting agency or association approved by the Commissioner for this purpose, and (5) has been in existence for 2 years.

§ 175.4 Program eligibility

(a) *General.* Work-Study Programs operated under an institutional agreement for the part-time employment of students may involve work for the institution itself (except in the case of a proprietary institution of higher education) or work for a public or private nonprofit organization in any State.

TITLE XII—GENERAL PROVISIONS

DEFINITIONS

SEC. 1201. As used in this Act—

(a) The term "institution of higher education" means an educational institution in any State which (1) admits as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such a certificate, (2) is legally authorized within such State to provide a program of education beyond secondary education, (3) provides an educational program for which it awards a bachelor's degree or provides not less than a two-year program which is acceptable for full credit toward such a degree, (4) is a public or other nonprofit institution, and (5) is accredited by a nationally recognized accrediting agency or association or, if not so accredited, (A) is an institution with respect to which the Commissioner has determined that there is satisfactory assurance, considering the resources available to the institution, the period of time, if any, during which it has operated, the effort it is making to meet accreditation standards, and the purpose for which this determination is being made, that the institution will meet the accreditation standards of such an agency or association within a reasonable time, or (B) is an institution whose credits are accepted, on transfer, by not less than three institutions which are so accredited, for credit on the same basis as if transferred from an institution so accredited. Such term also includes any school which provides not less than a one-year program of training to prepare students for gainful employment in a recognized occupation and which meets the provision of clauses (1), (2), (4), and (5). For purpose of this subsection, the Commissioner shall publish a list of nationally recognized accrediting agencies or associations which he determines to be reliable authority as to the quality of training offered.

GENERAL REGULATIONS

PART 149—COMMISSIONER'S RECOGNITION PROCEDURES FOR NATIONAL ACCREDITING BODIES AND STATE AGENCIES

SUBPART A—CRITERIA FOR NATIONALLY RECOGNIZED ACCREDITING AGENCIES AND ASSOCIATIONS

Sec.
149.1 Scope.
149.2 Definitions.
149.3 Publication of list.
149.4 Inclusion on list.
149.5 Initial recognition; renewal of recognition.
149.6 Criteria.

AUTHORITY: (20 U.S.C. 403(b), 1085(b), 1141(a), 1248(11)); (42 U.S.C. 293a(b), 295f-3(b), 295h-4(1)(D), 298b(f)); (8 U.S.C. 1101(a)(15)(F)); (12 U.S.C. 1749c(b)); (38 U.S.C. 1775(a)).

SUBPART B—CRITERIA FOR STATE AGENCIES

Sec.
149.20 Scope.
149.21 Publication of list.
149.22 Inclusion on list.
149.23 Initial recognition; reevaluation.
149.24 Criteria.

AUTHORITY: Sec. 438(b) of the Higher Education Act of 1965, Pub. L. 89-329 as amended by Pub. L. 92-318, 86 Stat. 235, 264 (20 U.S.C. 1087-1(b)).

SUBPART A—CRITERIA FOR NATIONALLY RECOGNIZED ACCREDITING AGENCIES AND ASSOCIATIONS

§ 149.1 Scope.

Accreditation of institutions or programs of institutions by agencies or associations nationally recognized by the U.S. Commissioner of Education is a prerequisite to the eligibility for Federal financial assistance of institutions and of the students attending such institutions under a wide variety of federally supported programs. The recognition of such agencies is reflected in lists published by the Commissioner in the FEDERAL REGISTER. Inclusion on such list is dependent upon the Commissioner's finding that any such recognized agency or association is reliable authority as to the quality of training offered. The Commissioner's recognition is granted and the agency or association is included on the list only when it meets the criteria established by the Commissioner and set forth in § 149.6 of this part.

§ *149.2 Definitions.*

"Accrediting" means the process whereby an agency or association grants public recognition to a school, institute, college, university, or specialized program of study which meets certain established qualifications and educational standards, as determined through initial and periodic evaluations. The essential purpose of the accreditation process is to provide a professional judgment as to the quality of the educational institution or program(s) offered, and to encourage continual improvement thereof;

"Adverse accrediting action" means denial of accreditation or preaccreditation status or the withdrawal of accreditation or preaccreditation status;

"Agency or association" means a corporation, association, or other legal entity or unit thereof which has the principal responsibility for carrying out the accrediting function;

"Institutional accreditation" applies to the total institution and signifies that the Institution as a whole is achieving its educational objectives satisfactorily;

"Regional" means the conduct of institutional accreditation in three or more States;

"Representatives of the public" means representatives who are laymen in the sense that they are not educators in, or members of, the profession for which the students are being prepared, nor in any way are directly related to the institutions or programs being evaluated;

"States" includes the District of Columbia and territories and possessions of the United States.

(20 U.S.C. 1141(a))

§ *149.3 Publication of list.*

Periodically the U.S. Commissioner of Education will publish a list in the FEDERAL REGISTER of the accrediting agencies and associations which he determines to be reliable authorities as to the quality of training offered by educational institutions or programs, either in a geographical area or in a specialized field. The general scope of the recognition granted to each of the listed accrediting bodies will also be listed.

(20 U.S.C. 1141(a))

§ *149.4 Inclusion on list.*

Any accrediting agency or association which desires to be listed by the Commissioner as meeting the criteria set forth in § 149.6 should apply in writing to the Director, Accreditation and Institutional Eligibility Staff, Bureau of Postsecondary Education, Office of Education, Washington, D.C. 20202.

§ *149.5 Initial recognition, and renewal of recognition.*

(a) For initial recognition and for renewal of recognition, the accrediting agency or association will furnish information establishing its compliance with the criteria set forth in § 149.6. This information may be supplemented by personal interviews or by review of the agency's facilities, records, personnel qualifications, and administrative management. Each agency listed will be reevaluated by the Commissioner at his discretion, but at least once every four years. No adverse decision will become final without affording opportunity for a hearing.

(b) In view of the criteria set forth in § 149.6, it is unlikely that more than one association or agency will qualify for recognition (1) in a defined geographical area of jurisdiction or (2)in a defined field of program specialization within secondary or postsecondary education. If two or more separate organizations in a defined field do seek recognition, they will both be expected to demonstrate need for their activities and show that they collaborate closely so that their accrediting activities do not unduly disrupt the affected institution or program.

(20 U.S.C. 1141(a))

§ *149.6 Criteria.*

In requesting designation by the U.S. Commissioner of Education as a nationally recognized accrediting agency or association, an accrediting agency or association must show:

(a) *Functional aspects.* Its functional aspects will be demonstrated by:

(1)Its scope of operations:

(i) The agency or association is national or regional in its scope of operations.

(ii) The agency or association clearly defines in its character, by-laws or accrediting standards the scope of its activities, including the geographical area and the types, and levels of institutions or programs covered.

(2) Its organization:

(i) The agency or association has the administrative personnel and procedures to carry out its operations in a timely and effective manner.

(ii) The agency or association defines its fiscal needs, manages its expenditures, and has adequate financial resources to carry out its operations, as shown by an externally audited financial statement.

(iii) The agency's or association's fees, if any, for the accreditation process do not exceed the reasonable cost of sustaining and improving the process.

(iv) The agency or association uses competent and knowledgeable persons, qualified by experience and training, and selects such persons in accordance with nondiscriminatory practices: (A) to participate on visiting evaluation teams; (B) to engage in consultative services for the evaluation and accreditation process; and (C) to serve on policy and decision-making bodies.

(v) The agency or association includes on each visiting evaluation team at least one person who is not a member of its policy or decision-making body or its administrative staff.

(3) Its procedures:

(i) The agency or association maintains clear definitions of each level of accreditation status and has clearly written procedures for granting, denying, reaffirming, revoking, and reinstating such accredited statuses.

(ii) The agency or association, if it has developed a preaccreditation status, provides for the application of criteria and procedures that are related in an appropriate manner to those employed for accreditation.

(iii) The agency or association requires, as an integral part of its accrediting process, institutional or program self-analysis and an on-site review by a visiting team.

(A) The self-analysis shall be a qualitative assessment of the strengths and limitations of the institution or program, including the achievement of institutional or program objectives, and should involve a representative portion of the institution's administrative staff, teaching faculty, students, governing body, and other appropriate constituencies.

(B) The agency or association provides written and consultative guidance to the institution or program and to the visiting team.

(b) *Responsibility.* Its responsibility will be demonstrated by the way in which—

(1) Its accreditation in the field in which it operates serves clearly identified needs, as follows:

(i) The agency's or association's accreditation program takes into account the rights, responsibilities, and interests of students, the general public, the academic, professional, or occupational fields involved, and institutions.

(ii) The agency's or association's purposes and objectives are clearly defined in its charter, by-laws, or accrediting standards.

(2) It is responsive to the public interest, in that:

(i) The agency or association includes representatives of the public in its policy and decision-making bodies, or in an advisory or consultative capacity that assures attention by the policy and decision-making bodies.

(ii) The agency or association publishes or otherwise makes publicly available:

(A) The standards by which institutions or programs are evaluated;

(B) The procedures utilized in arriving at decisions regarding the accreditation status of an institution or program;

(C) The current accreditation status of institutions or programs and the date of the next currently scheduled review or reconsideration of accreditation;

(D) The names and affiliations of members of its policy and decision-making bodies, and the name(s) of its principal administrative personnel;

(E) A description of the ownership, control and type of legal organization of the agency or association.

(iii) The agency or association provides advance notice of proposed or revised standards to all persons, institutions, and organizations significantly affected by its accrediting process, and provides such persons, institutions and organizations adequate opportunity to comment on such standards prior to their adoption.

(iv) The agency or association has written procedures for the review of complaints pertaining to institutional or program quality, as these relate to the agency's standards, and demonstrates that such procedures are adequate to provide timely treatment of such complaints in a manner that is fair and equitable to the complainant and to the institution or program.

(3) It assures due process in its accrediting procedures, as demonstrated in part by:

(i) Affording initial evaluation of the institutions or programs only when the chief executive officer of the institution applies for accreditation of the institution or any of its programs;

(ii) Providing for adequate discussion during an on-site visit between the visiting team and the faculty, administrative staff, students, and other appropriate persons;

(iii) Furnishing, as a result of an evaluation visit, a written report to the institution or program commenting on areas of strengths, areas needing improvement and, when appropriate, suggesting means of improvement and including specific areas, if any, where the institution or program may not be in compliance with the agency's standards;

(iv) Providing the chief executive officer of the institution or program with an opportunity to comment upon the written report and to file supplemental materials pertinent to the facts and conclusions in the written report of the visiting team before the accrediting agency or association takes action on the report;

(v) Evaluating, when appropriate, the report of the visiting team in the presence of a member of the team, preferably the chairman;

(vi) Providing for the withdrawal of accreditation only for cause, after review, or when the institution or program does not permit reevaluation, after due notice;

(vii) Providing the chief executive officer of the institution with a specific statement of reasons for any adverse accrediting action, and notice of the right to appeal such action;

(viii) Establishing and implementing published rules of procedure regarding appeals which will provide for:

(A) No change in the accreditation status of the institution or program pending disposition of an appeal;

(B) Right to a hearing before the appeal body;

(C) Supplying the chief executive officer of the institution with a written decision of the appeal body, including a statement of specifics.

(4) It has demonstrated capability and willingness to foster ethical practices among the institutions or programs which it accredits, including equitable student tuition refunds and nondiscriminatory practices in admissions and employment.

(5) It maintains a program of evaluation of its educational standards desgined to assess their validity and reliability.

(6) It secures sufficient qualitative information regarding the institution or program which shows an on-going program evaluation of outputs consistent with the educational goals of the institution or program.

(7) It encourages experimental and innovative programs to the extent that these are conceived and implemented in a manner which ensures the quality and integrity of the institution or program.

(8) It accredits only those institutions or programs which meet its published standards, and demonstrates that its standards, policies, and procedures are fairly applied and that its evaluations are conducted and decisions rendered under conditions that assure an impartial and objective judgment.

(9) It reevaluates at reasonable intervals institutions or programs which it has accredited.

(10) It requires that any reference to its accreditation of accredited institutions and programs clearly specifies the areas and levels for which accreditation has been received.

(c) *Reliability.* Its reliability is demonstrated by—

(1) Acceptance throughout the United States of its policies, evaluation methods, and decisions by educators, educational institutions, licensing bodies, practitioners, and employers;

(2) Regular review of its standards, policies and procedures, in order that the evaluative process shall support constructive analysis, emphasize factors of critical importance, and reflect the educational and training needs of the student;

(3) Not less than two years' experience as an accrediting agency or association;

(4) Reflection in the composition of its policy and decisionmaking bodies of the community of interests directly affected by the scope of its accreditation.

(d) *Autonomous.* Its autonomy is demonstrated by evidence that—

(1) It performs no function that would be inconsistent with the formation of an independent judgment of the quality of an educational program or institution;

(2) It provides in its operating procedures against conflict of interest in the rendering of its judgments and decisions.

(20 U.S.C. 1141(a))

SUBPART B—CRITERIA FOR STATE AGENCIES

§ *149.20 Scope.*

(a) Pursuant to section 438(b) of the Higher Education Act of 1965 as amended by Public Law 92–318, the United States Commissioner of Education is required to publish a list of State agencies which he determines to be reliable authorities as to the quality of public postsecondary vocational education in their respective States for the purpose of determining eligibility for Federal student assistance programs administered by the Office of Education.

(b) Approval by a State agency included on the list will provide an alternative means of satisfying statutory standards as to the quality of public postsecondary vocational education to be undertaken by students receiving assistance under such programs.

(20 U.S.C. 1087–1(b))

§ *149.21 Publication of list.*

Periodically the U.S. Commissioner of Education will publish a list in the FEDERAL REGISTER of the State agencies which he determines to be reliable authorities as to the quality of public postsecondary vocational education in their respective States.

(20 U.S.C. 1087–1(b))

§ *149.22 Inclusion on list.*

Any State agency which desires to be listed by the Commissioner as meeting the criteria set forth in § 149.24 should apply in writing to the Director, Accreditation and Institutional Eligibility Staff, Bureau of Postsecondary Education, Office of Education, Washington, D.C. 20202.

(20 U.S.C. 1087–1(b))

§ *149.23 Initial recognition, and reevaluation.*

For initial recognition and for renewal of recognition, the State agency will furnish information establishing its compliance with the criteria set forth in § 149.24. This information may be supplemented by personal interviews or by review of the agency's facilities, records, personnel qualifications, and administrative management. Each agency listed will be reevaluated by the Commissioner at his discretion, but at least once every four years. No adverse decision will become final without affording an opportunity for a hearing.

(20 U.S.C. 1087–1(b))

§ *149.24. Criteria for State agencies.*

The following are the criteria which the Commissioner of Education will utilize in designating a State agency as a reliable authority to assess the quality of public postsecondary vocational education in its respective State.

(a) *Functional aspects.* The functional aspects of the State agency must be shown by:

(1) *Its scope of operations.* The agency:

(i) Is statewide in the scope of its operations and is legally authorized to approve public postsecondary vocational institutions or programs;

(ii) Clearly sets forth the scope of its objectives and activities, both as to kinds and levels of public postsecondary vocational institutions or programs covered, and the kinds of operations performed;

(iii) Delineates the process by which it differentiates among and approves programs of varying levels.

(2) *Its organization.* The State agency:

(i) Employs qualified personnel and uses sound procedures to carry out its operations in a timely and effective manner;

(ii) Receives adequate and timely financial support, as shown by its appropriations, to carry out its operations;

(iii) Selects competent and knowledgeable persons, qualified by experience and training, and selects such persons in accordance with nondiscriminatory practices, (A) to participate on visiting teams, (B) to engage in consultative services for the evaluation and approval process, and (C) to serve on decision-making bodies.

(3) *Its procedures.* The State agency:

(i) Maintains clear definitions of approval status and has developed written procedures for granting, reaffirming, revoking, denying, and reinstating approval status;

(ii) Requires, as an integral part of the approval and reapproval process, institutional or program self-analysis and onsite reviews by visiting teams, and provides written and consultative guidance to institutions or programs and visiting teams.

(A) Self-analysis shall be a qualitative assessment of the strengths and limitations of the instructional program, including the achievement of institutional or program objectives, and should involve a representative portion of the institution's administrative staff, teaching faculty, students, governing body, and other appropriate constituencies.

(B) The visiting team, which includes qualified examiners other than agency staff, reviews instructional content, methods and resources, administrative management, student services, and facilities. It prepares written reports and recommendations for use by the State agency.

(iii) Reevaluates at reasonable and regularly scheduled intervals institutions or programs which it has approved.

(b) *Responsibility and reliability.* The responsibility and reliability of the State agency will be demonstrated by:

(1) Its responsiveness to the public interest. The State agency:

(i) Has an advisory body which provides for representation from public employment services and employers, employees, postsecondary vocational educators, students, and the general public, including minority groups. Among its functions, this structure provides counsel to the State agency relating to the development of standards, operating procedures and policy, and interprets the educational needs and manpower projections of the State public postsecondary vocational education system;

(ii) Demonstrates that the advisory body makes a real and meaningful contribution to the approval process;

(iii)Provides advance public notice of proposed or revised standards or regulations through its regular channels of communications, supplemented, if necessary, with direct communication to inform interested members of the affected community. In addition, it provides such persons the opportunity to comment on the standards or regulations prior to their adoption;

(iv) Secures sufficient qualitative information regarding the applicant institution or program to enable the institution or program to demonstrate that it has an ongoing program of evaluation of outputs consistent with its educational goals;

(v) Encourages experimental and innovative programs to the extent that these are conceived and implemented in a manner which ensures the quality and integrity of the institution or program;

(vi) Demonstrates that it approves only those institutions or programs which meet its published standards; that its standards, policies, and procedures are fairly applied; and that its evaluations are conducted and decisions are rendered under conditions that assure an impartial and objective judgment;

(vii) Regularly reviews its standards, policies and procedures in order that the evaluative process shall support constructive analysis, emphasize factors of critical importance, and reflect the educational and training needs of the student;

(viii) Performs no function that would be inconsistent with the formation of an independent judgment of the quality of an educational institution or program;

(ix) Has written procedures for the review of complaints pertaining to institutional or program quality as these relate to the agency's standards, and demonstrates that such procedures are adequate to provide timely treatment of such complaints in a manner fair and equitable to the complainant and to the institution or program;

(x) Annually makes available to the public (A) its policies for approval, (B) reports of its operations, and (C) list of institutions or programs which it has approved;

(xi) Requires each approved school or program to report on changes instituted to determine continued compliance with standards or regulations;

(xii) Confers regularly with counterpart agencies that have similar responsibilities in other and neighboring States about methods and techniques that may be used to meet those responsibilities.

(2) Its assurances that due process is accorded to institutions or programs seeking approval. The State agency:

(i) Provides for adequate discussion during the on-site visit between the visiting team and the faculty, administrative staff, students, and other appropriate persons;

(ii) Furnishes as a result of the evaluation visit, a written report to the institution or program commenting on areas of strength, areas needing improvement, and, when appropriate, suggesting means of improvement and including specific areas, if any, where the institution or program may not be in compliance with the agency's standards;

(iii) Provides the chief executive officer of the institution or program with opportunity to comment upon the written report and to file supplemental materials pertinent to the facts and conclusions in the written report of the visiting team before the agency takes action on the report;

(iv) Provides the chief executive officer of the institution with a specific statement of reasons for any adverse action, and notice of the right to appeal such action before an appeal body designated for that purpose;

(v) Publishes rules of procedure regarding appeals;

(vi) Continues the approval status of the institution or program pending disposition of an appeal;

(vii) Furnishes the chief executive officer of the institution or program with a written decision of the appeal body, including a statement of its reasons therefor.

(c) *Capacity to foster ethical practices.* The State agency must demonstrate its capability and willingness to foster ethical practices by showing that it:

(i) Promotes a well-defined set of ethical standards governing institutional or programmatic practices, including recruitment, advertising, transcripts, fair and equitable student tuition refunds, and student placement services;

(ii) Maintains appropriate review in relation to the ethical practices of each approved institution or program.

(20 U.S.C. 1087-1(b))

[FR Doc. 74-19298 Filed 8-19-74;8:45 am]

Nationally Recognized Accrediting Agencies and Associations

The following accrediting bodies have been recognized by the U.S. Commissioner of Education as being reliable authorities concerning the quality of education or training offered by educational institutions or programs, February 1974. U.S. Department of Health, Education, and Welfare Office of Education, Bureau of Postsecondary Education, Accreditation and Institutional Eligibility Staff.

REGIONAL ACCREDITING COMMISSIONS

Middle States Association of Colleges and Secondary Schools, Harry W. Porter, Executive Secretary, Commission on Higher Education, Gateway One, Raymond Plaza West, Newark, N.J. 07102.

New England Association of Schools and Colleges, Robert R. Ramsey, Jr., Director of Evaluation, Commission on Institutions of Higher Education, 131 Middlesex Turnpike, Burlington, Mass. 01803. Ralph O. West, Director of Evaluation, Commission on Independent Secondary Schools, 131 Middlesex Turnpike, Burlington, Mass. 01803. Richard J. Bradley, Director of Evaluation, Commission on Public Secondary Schools, 131 Middlesex Turnpike, Burlington, Mass. 01803. Daniel S. Maloney, Director of Evaluation, Commission on Vocational Technical Institutions, 131 Middlesex Turnpike, Burlington, Mass. 08103.

North Central Association of Colleges and Secondary Schools, Joseph Semrow, Executive Secretary, Commission on Institutions of Higher Education, 5454 South Shore Dr., Chicago, Ill. 60615.

Northwest Association of Secondary and Higher Schools, James F. Bemis, Executive Director, Commission on Higher Schools, 3731 University Way, NE., #104, Seattle, Wash. 98105.

Southern Association of Colleges and Schools, Gordon W. Sweet, Executive Secretary, Commission on Colleges, 795 Peachtree St., NE., Atlanta, Ga. 30308. Bob E. Childers, Commission on Occupational Education Institutions, 795 Peachtree St., NE., Atlanta, Ga. 30308.

Western Association of Schools and Colleges, Kay J. Andersen, Executive Director, Accrediting Commission for Senior Colleges and Universities, c/o Mills College, Oakland, Calif. 95350. Harry D. Wiser, Secretary, Accrediting Commission for Junior Colleges, Post Office Box 4065, Modesto, Calif. 95350.

NATIONAL SPECIALIZED ACCREDITING ASSOCIATIONS AND AGENCIES

Accrediting Association of Bible Colleges, John Mostert, Executive Director, Box 543, Wheaton, Ill. 60187.

Accrediting Bureau of Medical Laboratory Schools, Hugh A. Woosley, Administrator, 3038 West Lexington Ave., Oak Manor Offices, Elkhart, Ind. 46154.

Accrediting Commission on Graduate Education for Hospital Administration, Gary L. Filerman, Executive Director, One Dupont Circle, NW., Washington, D.C. 20036.

American Assembly of Collegiate Schools of Business, Jesse M. Smith, Jr., Managing Director, 101 North Skinker Blvd., St. Louis, Mo. 63130.

American Association of Nurse Anesthetists, Bernice O. Baum, Executive Director, 111 East Wacker Dr., Chicago, Ill. 60601.

American Association of Theological Schools, Jesse H. Ziegler, Executive Director, 534 Third National Bldg., Dayton, Ohio 45402.

American Bar Association, Louis Potter, Assistant Director, Section of Legal Education and Admissions to the Bar, 1155 East 60th St., Chicago, Ill. 60637.

American Board of Funeral Service Education, William H. Ford, Administrator, 201 Columbia St., Fairmont W.Va. 26554.

American Chemical Society, J. H. Howard, Secretary, Committee on Professional Training, 343 State St., Rochester, N.Y. 14650.

American Council on Education for Journalism, Baskett Mosse, Executive Secretary, Accrediting Committee, Northwestern University, 215 Fisk Hall, Evanston, Ill. 60201.

American Council on Pharmaceutical Education, Fred T. Mahaffey, Secretary, 77 West Washington St., Chicago, Ill. 60602.

American Dental Association, Thomas J. Ginley, Secretary, Council on Dental Education, 211 East Chicago Ave., Chicago, Ill. 60611.

American Library Association, Agnes L. Reagan, Assistant Director for Education, Office of Library Education, 50 East Huron St., Chicago, Ill. 60611.

American Optometric Association, Ellis S. Smith, Jr., Executive Secretary, Council on Optometric Education, 7000 Chippewa St., St. Louis, Mo. 63119.

American Osteopathic Association, Albert E. O'Donnell, Director, Office of Education, 212 East Ohio St., Chicago, Ill. 60611.

American Podiatry Association, John L. Bennett, Director, Council on Podiatry Education, 20 Chevy Chase Circle, NW., Washington, D.C. 20015.

American Psychological Association, Ronald B. Kurz, Associate Educational Affairs Officer, 1200 17th St., NW., Washington, D.C. 20036.

American Public Health Association, Inc., Maggie Matthews, Staff Associate, Office of Health and Manpower, 1015 H St. NW., Washington, D.C. 20036.

American Society of Landscape Architects, Gary O. Robinette, Associate Executive Director, 1750 Old Meadow Rd., McLean, Va. 22101.

American Speech and Hearing Association, Claude S. Haynes, Chairman, Education and Training Board, 9030 Old Georgetown Rd., Washington, D.C. 20014.

American Veterinary Medical Association, W. M. Decker, Director of Scientific Activities, Department of Education and Licensure, 600 South Michigan Ave., Chicago, Ill. 60605.

Association for Clinical Pastoral Education, Charles E. Hall, Jr., Executive Director, Interchurch Center, Suite 450, 475 Riverside Dr., New York, N.Y. 10027.

Association of Independent Colleges and Schools, Dana R. Hart, Secretary, Accrediting Commission, 1730 M St., NW., Washington, D.C. 20036.

Cosmetology Accrediting Commission, James R. Taylor, Executive Director, 25775 Southfield Rd., Southfield, Mich. 48075.

Council on Medical Education, American Medical Association in Cooperation with: Accreditation Committee, American Occupational Therapy Association; Committee on Accreditation in Basic Education, American Physical Therapy Association; Curriculum Review Board, American Association of Medical Assistants; Education and Registration Committee, American Medical Record Association; Joint Review Committee for Inhalation Therapy Education; Joint Review Committee on Education for the Assistant to the Primary Care Physician; Joint Review Committee on Education in Radiologic Technology; Joint Review Committee on Education Programs in Nuclear Medicine Technology; National Accrediting Agency for Clinical Laboratory Sciences, C. H. William Ruhe, Secretary, Council on Medical Education, AMA, 535 North Dearborn St., Chicago, Ill. 60610.

Council on Social Work Education, Alfred Stamm, Director, Division of Educational Standards and Accreditation, 345 East 46th St., New York, N.Y. 10017.

Engineers' Council for Professional Development, David R. Reyes-Guerra, Executive Director, 345 East 46th St., New York, N.Y. 10017.

Liaison Committee on Medical Education, (In even numbered years), C. H. William Ruhe, Secretary, Council on Medical Education, American Medical Association, 535 North Dearborn St., Chicago, Ill. 60610.

(In odd numbered years), John A. D. Cooper, President, Association of American Medical Colleges, One Dupont Circle, NW., Suite 200, Washington, D.C. 20036.

National Accreditation Council for Agencies Serving the Blind and Visually Handicapped, Alexander F. Handel, Executive Director, 79 Madison Ave., New York, N.Y. 10016.

National Architectural Accrediting Board, Helen Steele, Executive Secretary, 1735 New York Ave., NW., Washington, D.C. 20006.

National Association for Practical Nurse Education and Service, Rose G. Martin, Executive Director, 122 East 42nd St., New York, N.Y. 10017.

National Association of Schools of Art, William Lewis, Director, Commission on Accrediting College of Architecture and Design, University of Michigan, Ann Arbor, Mich. 48104.

National Association of Schools of Music, Robert Glidden, Executive Secretary, One Dupont Circle, NW., Suite 650, Washington, D.C. 20036.

National Association of Trade and Technical Schools, William A. Goddard, Secretary, Accrediting Commission, 2021 L St., NW., Washington, D.C. 20036.

National Council for Accreditation of Teacher Education, Rolf W. Larson, Director, 1750 Pennsylvania Ave., NW., Washington, D.C. 20006.

National Home Study Council, William A. Fowler, Executive Secretary, Accrediting Commission, 1601 18th St., NW., Washington, D.C. 20009.

National League for Nursing, Margaret E. Walsh, General Director and Secretary, 10 Columbus Circle, New York, N.Y. 10019.

Society of American Foresters, Donald R. Theoe, Director of Professional Programs, 1010 16th St., NW., Washington, D.C. 20036.

OTHER

Board of Regents, Ewald Nyquist, Commissioner of Education, State Education Department, The University of the State of New York, Albany, N.Y. 12224.

Inquiries should be directed to: John R. Proffitt, Director, Accreditation and Institutional Eligibility Staff, Bureau of Postsecondary Education, U.S. Office of Education, Washington, D.C. 20202.

Mr. O'Hara. Our first witness today will be Hon. Peter Muirhead, Deputy Commissioner for Higher Education, who will introduce those accompanying him, and who will give us the information that we will need to start off these hearings.

Mr. Muirhead.

STATEMENT OF PETER P. MUIRHEAD, DEPUTY COMMISSIONER, BUREAU OF POSTSECONDARY EDUCATION, U.S. OFFICE OF EDUCATION, ACCOMPANIED BY CHARLES M. COOKE, JR., DEPUTY ASSISTANT SECRETARY FOR LEGISLATION (EDUCATION); JOHN R. PROFFITT, DIRECTOR, ACCREDITATION AND INSTITUTIONAL ELIGIBILITY STAFF, BUREAU OF POSTSECONDARY EDUCATION; AND JAMES W. MOORE, ACTING ASSOCIATE COMMISSIONER, OFFICE OF GUARANTEED STUDENT LOANS, OFFICE OF MANAGEMENT

Mr. Muirhead. Thank you, Mr. Chairman.

I am accompanied this morning by Mr. Charles Cooke, our deputy assistant secretary for legislation, and on my left, Mr. John Proffitt, the director of our accreditation and institutional eligibility staff, and on my right, the acting director of the guaranteed student loan program.

Mr. Chairman, I think you have provided what I consider to be a very succinct and excellent statement of the issues involved in accreditation and eligibility, and indeed, all of your hearings have been significant and important, but these hearings I think take on an even larger significance because as we move through the hearing it will become increasingly evident that this authority, accreditation and eligibility can be characterized almost as the powerhouse from which all the programs operate.

With your permission, Mr. Chairman, I should like to submit for the record a rather detailed statement. I would like to present a briefer version of that statement and join with my colleagues in responding to your questions.

Mr. O'Hara. That would be an eminently satisfactory procedure. The full text of your statement will be entered at this point in the record.

[The document referred to follows:]

PREPARED STATEMENT OF PETER P. MUIRHEAD, DEPUTY COMMISSIONER, BUREAU OF POSTSECONDARY EDUCATION, U.S. OFFICE OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

INTRODUCTION

Mr. Chairman, Members of the Committee, I want to thank you for the opportunity to present this statement to you.

My statement is divided into three major sections. First, I will sketch for you an overview of Institutional Eligibility determination by the Office of Education as it pertains to funding programs for postsecondary educational institutions.

Then, I will move to a discussion of accreditation as it relates to Institutional Eligibility for Federal funding programs.

And finally, I will review the strengths, weaknesses and problem areas which we perceive in the present system for Institutional Eligibility determination—a system which stipulates heavy reliance upon accreditation of educational institutions and programs by private organizations that have no legal responsibility to the Federal government.

Included as portions of my statement are several informational attachments. These include:

1. An eligibility checklist, or chart; and
2. A list of Governmental and Non-Governmental uses of accreditation;
3. List of accrediting agencies recognized by the Commissioner of Education.

OVERVIEW OF INSTITUTIONAL ELIGIBILITY DETERMINATION

Passage of the Higher Education Act and related statutes in 1965 that year launched the need for the Office of Education to determine, compile, and prepare lists of institutions eligible to participate in various Federal education programs established under the Act.

Culmination of the efforts may be seen in the list of over 8,300 institutions cited as eligible to participate in the largest and most broadly based Office of Education program of aid to students: the Guaranteed Student Loan Program, also called the Federal Insured Student Loan program. This program activity currently is providing Federal, State, or nonprofit guarantees to lenders in behalf of nearly seven million separate student loans for nearly seven billion dollars.

To assist with identifying and creating this list of more than 8,300 eligible institutions, the Accreditation and Institutional Eligibility Staff was formed in May of 1968 to produce eligibility determinations for some twenty U.S.O.E. programs. That Staff also provides assistance to other agencies within the Department of Health, Education, and Welfare, such as the Public Health Service in relation to health training programs, plus affording eligibility determinations to the Department of Justice, Federal Aviation Agency, Veterans Administration, Department of Housing and Urban Development and other Federal and State agencies. Furthermore, it engages in an extensive information dissemination program to institutions, students and the general public regarding eligibility and accreditation matters.

The universe of eligible institutions in the Guaranteed Student Loan Program, which is our largest single listing of eligible institutions, can be divided into seven main categories:

Foreign schools, 800; proprietary, 1,685; 4-year and higher, 1,730; junior colleges and institutes, 1,300; hospital schools of nursing, 450; medical technology and related, 1,353; and public area vocational schools, 1,000.

Institutional eligibility based upon the 1965 Higher Education Act, and the series of amendments and statutes related thereto, is linked to two broad types of Federal program assistance: student financial aid, and direct institutional aid or support. Student financial assistance programs include the Basic and Supplemental Educational Opportunity Grants Program, the College Work-Study Program, the National Direct Student Loan Program and the aforementioned Guaranteed Student Loan Program. Institutional support programs include ones such as that for Strengthening Developing Institutions, the College Library Support Program, and Loans and Grants for Academic Facilities.

The term "Institutions of higher education" as defined in the statutory requirements, include public and nonprofit institutions which offer the traditional collegiate programs of study leading to a degree. The term also includes other public and nonprofit schools which offer one year programs of study that lead to gainful employment in recognized occupations such as hospital schools of nursing and other allied health schools, public area vocational schools and nonprofit business, trade and technical schools. Public and nonprofit institutions which meet all of the other specific requirements stated in the legislation, which I will discuss later, are eligible to participate in institutional support programs and programs that provide financial assistance to students attending these institutions. According to our latest figures, over 3,584 schools meet the statutory definition of "institution of higher education" and have been awarded eligibility status to participate in both institutional support and student financial aid programs.

Eligible proprietary schools may apply for participation in the Supplemental Educational Opportunity Grant Program, the National Direct Student Loan Program and the College Work-Study Program. Presently, 1,341 accredited proprietary institutions are eligible to participate in the Basic and Supplemental Educational Opportunity Grants Program, the National Direct Student Loan Program and the College Work-Study Program.

The Guaranteed Student Loan Program provides for the definition of a special category of schools, called "vocational schools," which include public, private non-profit and proprietary schools which offer postsecondary occupationally oriented programs to high school graduates and non-high school graduates. Over 3,000 of these vocational schools have been advised of their eligibility for this program. This figure includes 344 unaccredited proprietary vocational schools.

Before any school or institution may become eligible to participate in education programs administered by the Office of Education, it must meet certain minimum statutory requirements such as those indicated on the attached chart. These statutory eligibility elements fall into three categories. The first of these categories relate to factual information such as type of school, length of programs, and legal authorization. The second category involves special requirements established by program administrators under broader provisions of law, through regulation specifying provisions which participating schools must meet (such as "maintenance of efforts requirements" for library aid programs). The third category deals with the qualitative aspects of schools—or educational programs—in other words, accreditation, or one of the alternatives to accredited status.

It is in administering the Office of Education's responsibilities in relation to the qualitative factor of eligibility (i.e., that dealing with accreditation or its alternatives) that the greatest and most complex problems arise. Before mentioning some of these specific problems, however, we might first discuss accreditation and the Commissioner of Education's recognition of accrediting agencies.

ELIGIBILITY CHECKLIST

INSTITUTION:

YES	ELIGIBILITY INFORMATION SURVEY	NO
	1 ADMITS HIGH SCHOOL GRADS (or EQUIVALENT ONLY)	
	2 LEGALLY AUTHORIZED by STATE for POSTSECONDARY PROGRAM	
	3 OFFERS a BA DEGREE or a 2Yr PROGRAM Acceptable toward such	
	or offers a 2Yr ASSOCIATE DEGREE	
	or offers 2Yr Vocational/Occupational WORK	
	or offers 1Yr Gainful EMPLOYMENT	
	4 PUBLIC/or	
	nonProfit	
	or PROPRIETARY	
	5 ACCREDITATION	
	or PRE-ACCREDITED	
	or 3-INSTITUTIONAL CERTIFICATION	
	6 CIVIL RIGHTS COMPLIANCE	
	7 SECTARIAN	
	REGULAR CLASSES BEGAN/	
	ENROLLMENT	

OVERVIEW OF ACCREDITATION AS IT RELATES TO INSTITUTIONAL ELIGIBILITY

Accreditation is a major factor in establishing the eligibility status of educational institutions and programs to participate in the various Federal funding programs of assistance to education. It also is a unique area in the eligibility determination process, because it is a process which takes place outside the jurisdiction of the Federal government, and it varies considerably in form and purpose, depending upon the organization conducting the process.

Accreditation, a brief view of its history and functions

The practice of accreditation arose around the turn of the century in response to the need to upgrade educational quality and to establish definitions and standards for general collegiate and professional education. It sought to execute a need that is fulfilled in many other countries of the world by ministries of education or other centralized authorities, which exercise quality control functions over education. The philosophy of institutional autonomy in education, and the varying degree of control over institutions of higher education exercised by the States, also contributed to the need for this form of quality identification in education which is unique to the United States.

Private educational associations of regional and national scope have developed standards and procedures used in conducting peer evaluation aimed at determining whether or not educational institutions or programs are operating at basic levels of quality. The procedures of these accrediting commissions and associations usually involve five basic steps:

1. Establishment of educational standards in collaboration with educational institutions and other appropriate constituencies;
2. Conduct of institutional or program self-study by applicants for accreditation under the guidance of the accrediting body;
3. On-site evaluation by a team of peers, selected by the accrediting body, in order to determine first-hand if the institution's objectives and the accrediting body's standards are being met;
4. Publication of the accredited status of those institutions or programs which are determined by the accrediting body to have met its standards;
5. Periodic reevaluation of accredited institutions or programs to determine whether or not they continue to meet the established standards.

The nongovernmental accrediting agencies fall into two major categories—institutional and specialized. Institutional accreditation is conducted by agencies such as the commissions of the six regional accrediting associations. For example, the Southern Assocation of Colleges and Schools maintains four accrediting commissions—one for elementary schools, one for secondary schools, one for vocational schools, and one for degree-granting collegiate institutions.

Each regional association maintains at least one commission on higher education and one on secondary education. Two associations have established commissions for postsecondary occupational education and one has established a commission on elementary schools. Institutional accreditation applies to the total institution and signifies that the institution as a whole is achieving its objectives satisfactorily.

Specialized accreditation is conferred by a number of organizations which are national in scope, rather than regional, and each of which represent a specialized area, such as architecture, business, law, medicine, or teacher education. A primary purpose of specialized accreditation is to protect the public against professional or occupational incompetence. A majority of the programs evaluated by such agencies are located in regionally accredited institutions. However, most of the national specialized accrediting groups, in addition to accrediting programs within institutions, also accredit some specialized institutions which are not accredited by regional association commissions. Relatively recent newcomers to the accreditation scene are the specialized agencies dealing with the private (mostly for-profit) vocational sector of education, including business, cosmetology, home study education, and trade and technical education. These agencies deal with education located outside of the college and university sector, and, therefore, with varying emphases, evaluate both institutional and programmatic aspects of their educational universe.

History of criteria for listing nationally recognized accrediting agencies and associations

Although the Office of Education has dealt with accrediting agencies throughout much of its history, it was not until the enactment of the Veterans' Readjustment Assistance Act of 1952 (P.L. 82-550) that the U.S. Commissioner of Education was required, for the first time, to publish a list of nationally recognized accrediting agencies and associations which he determined to be reliable authority as to the quality of training offered by an educational institution. This statutory provision was subsequently restated in at least 14 major Federal aid-to-education legislative acts. In October 1952, subsequent to the passage of the Veterans' Readjustment Assistance Act, Criteria for the Recognition of National Accrediting Agencies and an initial list of 28 agencies so recognized were published. By 1967, there were 36 agencies listed by the Commissioner.

The 1952 Criteria remained in effect until January 16, 1969, when the current Criteria for determining nationally recognized accrediting agencies and associations were published in the *Federal Register*. By 1972, the Commissioner's list of recognized accrediting agencies had grown to 47, and by May of this year, 61 agencies were listed. Some ten additional accrediting agencies are in varying stages of petitioning the Commissioner for recognition and listing.

On March 1, 1974, revised Criteria for Nationally Recognized Accrediting Agencies and Associations were published under Notice of Proposed Rule Making in the *Federal Register*. The final version of these new criteria are currently in process of being published. We anticipate that they will become effective soon. A further revision of the criteria will be published by June 30, 1975.

Features of the proposed revised Criteria may be grouped into four broad categories which seek to insure the functionality, responsibility, reliability, and autonomy of nationally recognized accrediting agencies. More specifically, these elements include, in operation, the following:

a. *Functionality.*—An accrediting agency should be regional or national in its scope of operations and maintain a clear definition of its activities, both as to geographic area and nature and type of institutions or programs covered. It should have adequate administrative and financial support to carry out its accrediting programs, and should have access to a sufficient number of competent and knowledgeable personnel to participate on visiting teams, on its decision-making committee, and as consultants. The agency shall also have developed clearly written procedures for each level of accreditation status, including institutional or program self-analysis and on-site reviews by a visiting team.

b. *Responsibility.*—Considerations here include: a clearly identified need for accreditation by the agency in the field in which it operates; responsiveness to the public interest; adequate provisions for due process in accrediting procedures; demonstrated capability and willingness to foster ethical practices among the institutions or programs which it accredits; a program of evaluation of educational standards.

c. *Reliability.*—The agency demonstrates wide acceptance of its policies, procedures, and decisions: regular review of its standards and procedures; experience as an accrediting agency; and representation in its policy and decision-making bodies of the community of interests directly affected by the scope of its accreditation.

d. *Autonomy.*—The agency must demonstrate the autonomy and independence of its decisions from outside influences.

It is noteworthy that these revised Criteria place increased emphasis upon accrediting agencies' responsibility to the public interest and their reliability of operations.

Whereas the various versions of the Criteria for Nationally recognized Accrediting Agencies and Associations have been the Office's instrument for directly supporting constructive change in the area of accreditation as it relates to the eligibility process, the Office has funded or supported a number of projects over the past six years designed to improve indirectly the effectiveness of the eligibility determination process:

1. Study of Accreditation of Vocational-Technical Curricula in Postsecondary Institutions, conducted by the Center for Research and Development in Higher Education of the University of California under contact with the Office of Education;
2. National Study for Accreditation of Vocational/Technical Education, conducted by the American Vocational Association under contract with the Office of Education;
3. Study of Licensure and Related Health Personnel Credentialing, conducted by the Department of Health, Education, and Welfare;
4. Study of Accreditation of Selected Health Educational Programs, sponsored by the American Medical Association, the Association of Schools of Allied Health Professions, and the National Commission on Accrediting;
5. Model State Legislation for Approval of Postsecondary Educational Institutions and Authorization to Grant Degrees, developed by the Education Commission of the States through funds supplied by the Office of Education, the Veterans Administration, and the Department of Defense; and
6. Study of Private Accrediting and Public Funding, prepared for the Office of Education under contract with the Brookings Institution and the National Academy of Public Administration Foundation.

Review procedures for listing nationally recognized accrediting agencies

Those accrediting agencies requesting recognition by the Commissioner of Education undergo intensive review by the Office's Accreditation and Institutional Eligibility Staff and by the Commissioner's Advisory Committee on Accreditation and Institutional Eligibility, in order to determine whether or not they comply with the Criteria for Nationally Recognized Accrediting Agencies and Associations.

The Accreditation and Institutional Eligibility Staff was established by the Commissioner of Education in 1968 in order to centralize matters within the Office of Education dealing with eligibility and accreditation and to provide support for the Commissioner of Education's Advisory Committee on Accreditation and Institutional Eligibility.

Accrediting agencies seeking recognition by the Commissioner, or those undergoing regular periodic review, file petitions with the Director of the Accreditation and Institutional Eligibility Staff. The Staff reviews the petition and may take various investigative steps in order to prepare a summary report to the Advisory Committee concerning the applicant's status with the Criteria for Nationally Recognized Accrediting Agencies and Associations. At the time of the Advisory Committee review, agency representatives and interested third parties are offered time for brief oral presentation before the Committee. The Advisory Committee recommendations regarding petitioning accrediting agencies are forwarded to the Commissioner of Education for his review. The Commissioner informs the applicants of his decision following his consideration of the Advisory Committee's recommendations.

Agencies listed, or recognized, by the Commissioner are normally reviewed every four years. Developing agencies may be given a shorter period of recognition, indicating the Commissioner's determination that such agencies have potential to eventually fulfill the Criteria. The Commissioner exercises the right to review at any time a recognized agency which has developed problems relevant to its compliance with the Criteria.

Appeals of the Commissioner's decisions are heard by specially constituted panels of knowledgeable nongovernmental persons who are not members of the Advisory Committee. These hearing panels report directly to the Commissioner, who acts upon their advice.

The Advisory Committee performs a key role in the process of recognizing accrediting agencies and associations for the purpose of determining institutional or program eligibility for Federal funding programs. The Committee was established by the Secretary of Health, Education, and Welfare in 1968 and was subsequently chartered under the Federal Advisory Committee Act (P.L. 92–463). It is composed of 15 members from various segments of the secondary and postsecondary education community, student/youth population, State departments of education, professional associations, and the general public. The Committee is advisory to the Secretary of Health, Education, and Welfare and the Commissioner of Education. Its functions include the authority to:

1. Review all current and future policies relating to the responsibility of the Commissioner for the recognition and designation of accrediting agencies and associations wishing to be designated as nationally recognized accrediting agencies and associations, and recommend desirable changes in criteria and procedures.
2. Perform similar functions relevant to the Commissioner's authority to recognize State agencies for approval of public postsecondary education and nurse education;
3. Review and advise the Commissioner of Education in the formulation of all current and future policy relating to institutional eligibility;
4. Review legislation affecting the Office of Education's responsibility in the area of accreditation and institutional eligibility and recommend needed changes;
5. Review and recommend action to the Commissioner of Education regarding applicant national accrediting agencies and State vocational and nurse education approval agencies;
6. Develop standards and criteria for specific categories of vocational training institutions and institutions of higher education which have no alternative route by which to establish eligibility for Federal funding programs;

7. Advise the Commissioner regarding the award of degree-granting status to Federal agencies and institutions.

STRENGTHS, WEAKNESSES, AND PROBLEM AREAS IN THE PRESENT SYSTEM

I turn now to several key observations about the dynamics of the present system, gleaned from the Office's six years' experience in monitoring the eligibility mechanism I have described above. These observations are offered in the spirit of enlisting your continued support for the improvement of the system.

1. *The relative autonomy of the accrediting agencies.*—Accreditation has been written into Federal legislation as a quality control device in order to help ensure the Government's investment in postsecondary education, and, even more importantly, as a means of aiding students and others in identifying institutions and programs deemed to be educationally worthy. We must constantly bear in mind, however, that the accrediting agencies are private, independent, voluntary agencies having discrete, albeit laudable, purposes which do not always coincide neatly with the objectives inherent in Federal aid to education. Accrediting agencies are committed philosophically to stimulation of institutional or programmatic uplift through a traditional pattern of expert peer review. They do not view themselves, nor do they function, as regulatory bodies. They have no legal authority to require compliance; they work instead by persuasion to maintain understanding and acceptance of their role and function by their constituents and the general public. All accrediting agencies are limited in funds and staffing, and rely heavily on volunteer labor from member organizations. All are now deeply aware of, and some have already experienced, a marked vulnerability to litigation, which they are ill-prepared to engage in successfully.

One aspect of the Office's relationship to accrediting agencies involves the processing of complaints against accredited schools and schools which are eligible for participation in Federally-funded programs of assistance to postsecondary education. Complaints about schools—whether accredited or nonaccredited—are directed to the Accreditation and Institutional Eligibility Staff from many sources. These include parents, consumer organizations, students, USOE regional officers, other divisions within O.E., other Federal and State agencies, the Congress, and the White House. These complaints include such matters as misrepresentation by salesmen, inadequate or late refunds of tuition, poor quality of instruction or equipment, and enrollment of persons incapable of benefiting from the instruction.

Although the Office is not empowered to exercise direct control over educational institutions, it does seek to determine, in the case of accredited schools, whether or not a possible violation of the accrediting agency's standards has occurred in such complaint cases.

The Staff reviews each complaint and, if an accredited school is involved, directs a copy of the complaint to the appropriate accrediting agency with a request that the agency review the matter and report its findings to the Staff. The Staff, in turn, reviews the report of the accrediting agency and informs the complainant of the agency's findings. In the event that the Staff is not satisfied that the accrediting agency has investigated the matter thoroughly or if the complainant provides additional substantive information relating to the complaint, the Staff may ask the accrediting agency to review the matter further.

Although the Staff usually directs complaints against accredited schools to the appropriate agency for investigation, the Staff may, at times, correspond directly with schools regarding alleged educational malpractice. Such was the case in connection with a series of articles dealing with proprietary vocational schools which recently appeared in the *Boston Globe*.

The *Globe* accused several proprietary vocational schools operating in the Boston area of a variety of abuses ranging from misleading advertising to violation of State laws. Inasmuch as several of the schools named by the *Globe* are accredited by nationally recognized accrediting agencies, these abuses, if actually committed, would indicate serious violations of the agencies' accreditation standards. Accordingly, the Staff corresponded with the accrediting agencies and requested that they submit to O.E. a report of their investigation of the matter. Further, because several of the schools cited are eligible for Federal financial assistance programs administered by O.E., the Staff wrote to each eligible institution and requested that it provide O.E. with its response to the *Globe* allegations. Presently, the Office of Education still is in the midst of an intensive review of the cases and issues revealed by the *Globe* articles. A report on this will be presented to the Commissioner's Advisory Committee sometime this fall.

Another timely series of articles regarding the trade school industry was published recently in the *Washington Post*. Entitled, "The Knowledge Hustlers," these articles provide another perspective on what, hopefully, is a national effort to rid the Nation of fraud, exploitation, and deceit wherever practiced on Americans seeking to further their education. The *Post* series gives greater visibility to important issues regarding which the Federal Government is working closely with State and private groups in an effort to fashion solutions.

The relevant statutes speak only to the Federal reliance on the *outputs* of the accrediting agencies for eligibility purposes, and those outputs are the lists of accredited institutions or programs maintained by every accrediting body. Because of the vast sums of Federal money which ultimately flow through reliance upon the accrediting mechanism, however, the Office has deemed it only prudent to establish, and gradually intensify, Federal oversight of the operations of those accrediting agencies recognized by the Commissioner. One of the pressing questions right now is just how far this oversight can and should go in order to achieve realistic assurance that both the students educational rights and the taxpayer's dollars are protected while, at the same time, avoiding unwarranted Federal intrusion into the educational process.

2. *Problems of consistency with a heterogeneous universe.*—Because of the need for consistency in administration, there is a tendency to think of "postsecondary education" as a homogeneous entity. This frame of reference has been reinforced by an active Federal posture against discrimination of any sort against any of the various categories of schools. In reality, however, the postsecondary educational universe is a set of heterogeneous sub-systems.

With the establishment of each new funding program, O.E. has found the problems becoming more complex in sorting out the real from the imagined differences among institutional types, particularly as categorized by type of control: public, private non-profit, and proprietary, or profit-making. Though the educational funding statutes make some provision for stricter treatment and limited benefits for profit-making schools, they are silent on the extent to which the public should be protected from unethical school operators who are more interested in profits than in education. The Office of Education has been examining the problem of need and justification for valid, differentiated standards in this regard for some time now. From a practical standpoint, O.E. has determined that one feasible attack upon this problem can be made by shoring up educational consumer protection in general, a subject which shall be treated separately below.

3. *Increasing complexity of eligibility determination.*—We are all aware of the fast-paced change taking place all around us, and education is logically in as much ferment as is the rest of society. The basic philosophical framework for Federal reliance on the private mechanism of accreditation for eligibility purposes was developed initially for the 1952 Korean GI Bill (twenty-two years ago) and reinforced by adoption of the 1958 National Defense Education Act (sixteen years ago). It was essentially retained during the mid-sixties when landmark legislation in support of higher education was enacted (approximately ten years ago). We should not be surprised to find, then, strains and bruises as we attempt to resolve today's eligibility problems into statutes that were designed to suit another era. Almost twenty classes of students have enrolled, under Federal funding assistance programs, in the halls of ivy since the Korean GI Bill became law.

Some specific illustrations will convey my meaning better. Without elaboration, I shall merely cite nine eligibility dilemmas currently facing the Office, none of which is adequately addressed by statute, regulation, or guideline:

1. Open universities, or external degree and other non-traditional programs
2. Foreign institutions
3. Branch Campuses
4. Postsecondary occupational-technical education
5. Library institutions, organizations, and agencies
6. Combinations of institutions (consortia, etc.)

7. Partially eligible institutions
8. Small, free-standing, special purpose institutions
9. Part-time study and continuing education

Two other basic points should be made with regard to difficulties in eligibility determinations. First, the Office must deal sympathetically with the accrediting agencies' attempt to address what they see as their own goals, needs and purposes. The objectives of some of the accrediting organizations occasionally are not targeted fully on broader public or social goals. Under present regulations, there often is nothing that can be done when such unfavorable impact occurs. Second, informed and discerning administration of the existing eligibility machinery is not limited to declaring institutions and programs eligible, but also to declaring them ineligible when necessary in an appropriate and timely manner. Indeed, the ability to act swiftly and fairly on the termination of eligibility is extremely critical when an institution's quality situation is deteriorating rapidly.

The authority to develop regulations to limit, suspend or terminate eligibility for the Federally Insured Student Loan Program was obtained in the Higher Education Amendments of 1972, and procedures are presently being drafted under this authority.

4. *Educational consumer protection.*—Utilizing the concept of educational consumer protection, the Office has been moving strongly on this front during the past two years. Specifically, the Office of Education has supported, participated in or accomplished the following general remedies for unethical school practices in postsecondary education:

1. Information exchange with States, the Federal Trade Commission, and other Federal agencies concerning consumer complaints against educational institutions falling within the purview of these agencies;
2. Support and consultation regarding FTC's development of consumer education materials and Guides for Private Vocational and Home Study Schools;
3. Support and consultation with various States on special programs and improvement of legislation in the educational realm;
4. provision of contract funds, in conjunction with the Department of Defense and the Veterans Administration, for the development of a model State law governing the approval of private postsecondary schools by the Education Commission of the States;
5. Funding by the Office for a study of the interface between private accreditation and eligibility for participation in Federal education programs (in the final stages of completion by the Brookings Institution);
6. Creation and operation of the Federal Interagency Committee on Education's Subcommittee on Educational Consumer Protection. This Subcommittee, in which O.E. serves as the lead agency, presently is preparing a report outlining a proposed Federal strategy for dealing with the overall educational consumer protection problem. This report will be presented to the Interagency Committee at its September meeting.
7. Revision of the Criteria for Nationally Recognized Accrediting Agencies and Associations to provide both specific and general requirements for responsibility and accountability to the public interest on the part of accrediting agencies and associations listed by the Commissioner of Education;
8. Initiation of improved methods for reviewing accrediting agencies and associations having status with the Office;
9. Review by the Commissioner's Advisory Committee on Accreditation and Institutional Eligibility of matters pertaining to the ethical operation of eligible educational institutions; and
10. Tightening of the "three-institutional-certification" procedure a statutory alternative to accreditation by a nationally recognized accrediting agency by which an institution may demonstrate that its credits are accepted, on transfer, by not less than three institutions which are so accredited, for credit on the same basis as if transferred from an institution so accredited.

I want now to elaborate briefly on two items in the realm of educational consumer protection. First, while considerable publicity has been given to the unethical practices of certain proprietary schools, there is growing evidence that similar problems exist at nonprofit vocational and collegiate institutions. As the competition for students becomes more acute, it is possible that many of these institutions are adopting practices previously ascribed only to the proprietary school industry.

Second, increased reliance on State agencies to provide added consumer protection in postsecondary education is a matter which deserves thorough exploration at this time. One salient advantage in using State agencies, when they are efficient and effective, is that they generally can provide closer surveillance and oversight, and can react more quickly, than can a regional or national organization or agency.

SUMMARY

I have tried above to sketch out for you our view of the real world of accreditation and institutional eligibility as we see it today from our particular vantage point. It is not an altogether gloomy picture. A true statistical perspective tells us that Federal aid to postsecondary education has been a phenomenal success: billions of dollars have flowed, millions of students have benefited, and thousands of institutions have been strengthened for service to the nation. There is a great deal to be proud of.

It is becoming increasingly evident, however, that the national concern for extending postsecondary education opportunities to all who desire and can benefit from them will require more diversification and flexibility in obtaining these opportunities than is now the case. This, of course, means that accreditation and eligibility procedures must be adapted to these changing conditions, while at the same time preserving institutional autonomy and protecting the educational consumer interest. With your continued good help, we shall try to hammer out eligibility standards that will facilitate needed changes and innovations in postsecondary education—standards that will be strict enough to protect the public interest but flexible enough to encourage rather than inhibit needed changes and innovations in postsecondary education.

Governmental and Nongovernmental Agencies Utilizing Information About the Accredited Status of Institutions and Programs, June 1971

(By the Accreditation and Institutional Eligibility Staff, Department of Health, Education, and Welfare, Office of Education, Bureau of Higher Education)

A number of organizations, both governmental and non-governmental are concerned with the accreditation status of institutions of higher education. The Accreditation and Institutional Eligibility Staff services these organizations on a continuing basis, providing current information about accreditation and the status of educational institutions. The organizations listed below are frequently concerned with information provided by the AIE staff:

GOVERNMENTAL AGENCIES

1. *Air Force.*—Student nursing programs are affiliated with Air Force Hospitals. Affiliated institutions must be accredited by an agency listed by the U.S. Commissioner of Education.
2. *Armed Forces Chaplains Board.*—Potential military chaplains must have earned degrees from institutions accredited by nationally recognized accrediting bodies.
3. *Army Nurse Corps.*—Supports medical education programs accredited by nationally recognized accrediting associations.
4. *Census Bureau.*—Collects basic research data from the AIE staff on the accreditation status of post-secondary educational institutions.
5. *Civil Service Commission.*—Candidates for Civil Service examinations must be graduates of accredited institutions in order to sit for certain examinations. The Civil Service Commission often needs historical information on the accreditation status of institutions for its credential evaluation work.
6. *Department of Defense.*—The Army, Navy, Marine Corps, and Coast Guard consult with the U.S. Office of Education to determine the accredited status of institutions for early release programs, for determining the eligibility of personnel for educational benefits, and for granting other benefits to military personnel and their dependents.
7. *Department of Housing and Urban Development.*—Grants are made to accredited institutions for the construction of college housing.

8. *Department of Labor, Bureau of Labor Statistics.*—AIE provides current information to BLS on the accredited status of institutions which the Bureau uses in the preparation of research documents.

9. *Department of State.*—Information on the nature and quality of U.S. institutions of higher education is provided to potential foreign students by the Department of State. AIE supplies this information by reporting on the accreditation status of institutions.

10. *Immigration and Naturalization Service.*—Before the Attorney General may approve a U.S. institution for the attendence of non-immigrant students, he is required by law to consult with the Office of Education to determine whether applicant institution is considered "an established institution of learning or other recognized place of study, is operating a bona fide school, and has the necessary facilities, personnel, and finances to instruct in recognized courses." The service required is performed by the AIES staff at elementary, secondary, higher, and vocational-technical levels.

11. *The Institute of International Education.*—In its quasi-official role as the agency facilitating study of students in countries other than their own, IIE utilizes the services provided by the AIES in its activities.

12. *Library of Congress.*—Staff members call on AIE for data necessary in LC research projects and to obtain information requested directly by Members of Congress.

13. *Members of Congress.*—Congressional offices continually contact the AIES for information about the academic and eligibility status of higher education and vocational-technical schools located in their respective districts or states.

14. *National Institutes of Health.*—NIH requires current information on the accreditation status of institutions in order to determine the eligibility of applicants for research grants.

15. *National Library of Medicine.*—Maintenance of current information on the accreditation status of educational institutions offering pre-medical curricula is a service performed by the NLM. This information is used across the country by medical schools evaluating credentials of potential students.

16. *Office of Education.*—USOE program staff requires information about the accreditation status of educational institutions for administration of post-secondary programs established under the Higher Education and Vocational Education statutes.

The AIES certifies to the National Center for Educational Statistics the eligibility of institutions of higher education on the basis of accreditation or an acceptable equivalent, for inclusion in the *Education Directory: Higher Education*, published annually by the Office of Education, and probably the most widely used publication issued by the Office.

17. *Public Health Service.*—AIES certifies to the Surgeon General, Public Health Service, the accredited or preaccredited status of medical, dental, osteopathic, pharmaceutical, podiatric, and veterinary schools, to facilitate the administration of The Public Health Service Act. It also certifies to the Division of Nursing, PHS, the accredited status (or acceptable equivalent) in the case of nursing schools or programs at the hospital, associate, baccalaureate and higher degree levels. This includes certification of nursing schools accredited by State nurse approval agencies.

18. *Social Security Administration.*—Students attending accredited institutions of higher education are eligible to receive survivors benefits under Social Security legislation and SSA sometimes requests AIES for this information.

19. *State Department of Education.*—Information on the accreditation status of institutions of higher education is requested by state teacher certification offices. Historical data are often needed by these offices.

20. *State Higher Education Assistance Agencies.*—Information about the accreditation and eligibility status of institutions is constantly requested by these agencies which administer loans to eligible students in eligible institutions under the provisions of Title IV(b) of the Higher Education Act of 1965, as amended.

21. *Veterans Administration.*—Information on the accreditation status of institutions is needed by the VA in their administration of the War Orphans Educational Assistance Act of 1956, Public Law 82–550, the Veterans Readjustment Assistance Act, first enunciated the responsibility of the U.S. Commissioner of Education for publishing a list of nationally recognized accrediting

agencies which he determined to be reliable authority as to the quality of education and training offered by educational institutions and programs. The AIES supplies the VA with information necessary for the performance of its functions under the provisions of this act.

NONGOVERNMENTAL AGENCIES

22. *American Association of University Professors.*—Information is frequently sought by the AAUP as membership in this organization is limited to faculty of accredited institutions of higher education.

23. *College Blue Book Corporation.*—Requests for information on the accreditation status of institutions is made by this company for use in their publications.

24. *Educational Testing Service.*—ETS requests information for their own internal research purposes.

25. *National Education Association.*—The NEA utilizes information on accreditation in its research efforts.

26. *International Association of Universities, Paris, France.*—This organization publishes a world directory every two years and requests a list from the AIE staff of accredited U.S. institutions of higher education.

27. *Peterson's Annual Guides to Graduate Study, Undergraduate Study.*—This corporation consults AIES for information used in compiling its guides.

28. *Press (magazines and newspapers).*—AIES receives requests from the press for information about institutions currently in the news including enterprises designated as degree mills or subject to such designation.

29. *The Public.*—Many citizens request current and historical information about the accreditation and eligibility status of institutions of higher education and vocational-technical schools.

Mr. Muirhead. Thank you, Mr. Chairman.

A short word about the overview of how institutional eligibility is determined. The passage of the Higher Education Act and related statutes in 1965, launched the need for the Office of Education to prepare lists of institutions eligible to participate in various education programs established under the act.

The accreditation and institutional eligibility staff was formed in May of 1968 to carry on this work for some 20 Office of Education programs. In addition it provided eligibility determination to other HEW agencies, the Department of Justice, Federal Aviation Agency, Veterans' Administration, Department of Housing and Urban Development and other Federal and State agencies.

The number of institutions, Mr. Chairman, listed as eligible now under the provisions of that act totals more than 8,300, including the whole range of collegiate and noncollegiate institutions in the postsecondary education community.

Institutional eligibility is linked to two broad types of Federal program assistance: student financial aid and direct institutional aid or support.

Before any school or institution may become eligible to participate in education programs administered by the Office, it must meet certain minimum statutory requirements, such as those indicated in the chart which is attached to my statement.

The most pertinent of those statutory requirements deals with the qualitative aspects of schools or educational programs—in other words, accreditation, or, as the law provides, one of the alternatives to accredited status.

It is in administering the Office of Education's responsibilities in relation to the qualitative factor of eligibility—that is, dealing with accreditation or its alternatives—that the greatest and most complex problems arise.

If we are mentioning some of these specific problems, it might be helpful for us to discuss briefly accreditation and the Commissioner's responsibility for recognizing accrediting agencies.

Accreditation is a major factor in establishing the eligibility status of educational institutions and programs to participate in the various Federal funding programs of assistance to education.

It is also a unique process because it takes place outside the jurisdiction of the Federal Government, and it varies considerably in form and purpose, depending upon the organization conducting the process.

Let me make a brief comment on the history and function of accreditation. The practice of accreditation arose around the turn of the century in response to the need to upgrade educational quality and to establish definitions and standards for general collegiate and professional education.

It sought to carry out a need that is fulfilled in many other countries of the world by ministries of education or other centralized authorities. Such authorities exercise quality control functions over education.

The philosophy of institutional autonomy in education, and the varying degree of control over institutions of higher education exercised by the States, also contributed to the need of this form of quality identification in education which is unique in the United States.

Private educational associations of regional and national scope have developed standards and procedures in conducting peer evaluation aimed at determining whether or not educational institutions or programs are operating at basic levels of quality.

The procedures of these accrediting commissions and associations usually involve five basic steps, and they are detailed in the full statement. The five steps are:

1. The establishment of educational standards.
2. The conduct of institutional or program self-study.
3. On-site evaluation by a team of peers.
4. Publication of the accredited status of these institutions or programs.
5. Periodic review of the accredited institution.

The nongovernmental accrediting agencies fall into two major categories—institutional and specialized, or programmatic. Institutional accreditation is conducted by such agencies as the commissions of the six regional associations, for example, the Southern Association of Colleges and Universities.

Specialized accreditation is carried on by a number of organizations which are national in scope, rather than regional, and each of which represent a specialized area, such as architecture, business, law, medicine, or teacher education.

The primary purpose of specialized accreditation is to protect the public against professional or occupational incompetence.

Now a word about the Commissioner's statutory responsibility to list nationally recognized accrediting agencies. Although the Office of Education has dealt with accrediting agencies throughout much of its history, it was not until the enactment of the Veterans' Readjustment

Assistance Act of 1952 that the U.S. Commissioner of Education was required, for the first time, to publish a list of nationally recognized accrediting agencies and associations which he determined to be reliable authority as to the quality of training offered by an educational institution.

By 1972, the Commissioner's list of recognized accrediting agencies had grown to 47, and by May of this year, 61 agencies were listed. I should report that some 10 additional accrediting agencies are in varying stages of petitioning and Commissioner for recognition and listing.

Criteria for nationally recognized accrediting agencies and associations have been revised from time to time and the most recent revision appeared in the Federal Register on March 1, 1974.

I have provided a detail of those criteria in the statement which I have submitted for the record.[1] It is noteworthy, I think, Mr. Chairman, that the most recent set of criteria which now appear in the Federal Register place increased emphasis on the accrediting agencies' responsibility to the public interest and their reliability of operations.

Whereas the various versions of the criteria for nationally recognized accrediting agencies and associations have been the Office's instrument for directly supporting constructive change in the area of accreditation as it relates to the eligibility process, the Office has, in addition, funded or supported a number of projects over the past 6 years designed to improve indirectly the effectiveness of the eligibility determination process.

I have listed those studies in the statement for the record and I would like to particularly point out the study that has been carried on through the cooperation with the Brookings Institution. That is a study of private accrediting and public funding, and that has been prepared for the Office of Education under contract with the Brookings Institution and the National Academy of Public Administration Foundation.

We will be having considerable discussion and hearings on that report.

Let me now mention rather briefly the procedures that are followed in listing nationally recognized accrediting agencies. Those accrediting agencies requesting recognition by the Commissioner of Education undergo intensive review by the Office's accreditation staff and institutional eligibility staff and this is done in order to determine whether or not they comply with the criteria for nationally recognized accrediting agencies and associations.

Accrediting agencies seeking recognition by the Commissioner file petitions with the Commissioner and the staff. The staff reviews the petition and may take various steps in order to prepare a summary report to the Advisory Committee on Accreditation and Institutional Eligibility concerning the applicant's conformity with the criteria for nationally recognized accrediting agencies and associations.

At the time of the advisory committee review, agency representatives and interested third parties are offered time for brief oral presentation before the committee. The advisory committee recommendations regarding petitioning accrediting agencies are forwarded to the Commissioner of Education for his review. The Commissioner informs the applicants of his decision following his consideration of the advisory committee's recommendations.

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[1] See p. 11.

Appeals of the Commissioner's decisions are heard by specially constituted panels of knowledgeable nongovernmental persons who are not members of the advisory committee. As you must have noted, the advisory committee performs a key role in the process of recognizing accrediting agencies and associations for the purpose of determining institutional or program eligibility for Federal funding programs.

The advisory committee is composed of 15 members from various segments of the secondary and postsecondary education community, student/youth population, State departments of education, professional associations, and the general public.

The committee is advisory to the Secretary of Health, Education, and Welfare and the Commissioner of Education. Its functions, which I will be pleased to submit for the record, are listed in the complete statement.

I would also, with your permission, like to submit the names of the members of that advisory committee for the record.

Mr. O'HARA. Without objection, the submission will be included in the record.

[The document referred to follows:]

ADVISORY COMMITTEE ON ACCREDITATION AND INSTITUTIONAL ELIGIBILITY

MEMBER AND EXPIRATION DATE

Dr. John E. Barrows, Director of Institutional Studies, University of Kentucky, Lexington, Ky. 40506, June 30, 1975.

Mr. Thomas Bolton, President, Mills River Tomato Corp., P.O. Box 67, Horse Shoe, N.C. 28742, June 30, 1976.

Ms. Roma Brown, Council on Health Organizations, Association of Schools of Allied Health, 7720 "C" Stenton Avenue, Apt. No. 206, Philadelphia, Pa. 19118, June 30, 1975.

Hon. LillianW. Burke, Judge, Cleveland Municipal Court, Cleveland City Hall, Cleveland, Ohio 44114, June 30, 1976.

Ms. Marie A. Chavez, 1005 Jenkins, University of Oklahoma, Norman, Okla. 95069, June 30, 1974.

Dr. Leadie M. Clark, Assistant Superintendent of Instruction, Los Rios Community College District, 2011 Arden Way, Sacramento, Calif. 95825, June 30, 1976.

Dr. George L. Grassmuck, Professor of Political Science, University of Michigan, Ann Arbor, Mich. 48104, No.

Mr. John F. X. Irving, Esq., Dean, Seaton Hall University School of Law, 40 Clinton Street, Newark, N.J. 07102, June 30, 1974.

Mr. Abner V. McCall, Esq., President, Baylor University, Waco, Tex. 76703, June 30, 1975.

Mr. Wendall H. Pierce, Executive Director, Education Commission of the States, 300 Lincoln Tower Building, 1860 Lincoln Street, Denver, Colo. 80203, June 30, 1974.

Mr. George L. Ramey, Director, Mayo State Vocational School, Third Street, Paintsville, Ky. 41240, June 30, 1975.

Dr. James P. Steele, Vice President, American College of Radiology, Box 650, Yankton, S.D. 57078, June 30, 1974.

Dr. Walter D. Talbot, State Superintendent of Public Instruction, Utah State Board of Education, Salt Lake City, Utah 84111, June 30, 1976.

Mr. Valleau Wilkie, Jr., Executive Vice President, Sid Richardson Foundation, Fort Worth National Bank Building, Fort Worth, Tex. 76102, June 30, 1974.

Mr. Philip H. Wye, Haven Junior High School, 2417 Prairie, Evanston, Ill. 60202, June 30, 1975.

Mr. MUIRHEAD. Having gone over that very briefly, and I am sure you will want to discuss it in more detail in our back and forth, let me share with you now some of the problems that we have identified concerning accreditation in relation to institutional, program and student eligibility.

I turn now to what I consider to be several key observations about the dynamics of the present system. They have been gleaned from the Office's 6 years experience in monitoring the eligibility mechanism. These observations, as always, are offered in the spirit of enlisting your continued support for the improvement of the system.

Let me speak for a moment to the relative autonomy of the accrediting agencies. Accreditation has been written into Federal legislation as a quality control device in order to help insure the Government's investment in postsecondary education, and, even more importantly, as a means of aiding students and others in identifying institutions and programs deemed to be educationally worthy.

We must constantly bear in mind, however, that the accrediting agencies are private, independent, voluntary agencies having discrete, albeit laudable, purposes which do not always coincide neatly with the objectives inherent in Federal aid to education.

Accrediting agencies are committed philosophically to stimulation of institutional or programatic uplift through a traditional pattern of expert peer review. They do not view themselves, nor do they function, as regulatory bodies.

They have no legal authority to require compliance; they work instead by persuasion to maintain understanding and acceptance of their role and function by their constituents and the general public.

All accrediting agencies are limited in funds and staffing, and rely heavily on volunteer labor from member organizations. All are now deeply aware of, and some have already experienced, a marked vulnerability to litigation, which they are ill-prepared to engage in successfully.

One aspect of the Office's relationship to accrediting agencies involves the processing of complaints against accredited schools and schools which are eligible for participation in federally funded programs of assistance to postsecondary education.

Complaints about schools—whether accredited or nonaccredited—come from many sources. These include parents, consumer organizations, students, the Office of Education regional offices, other divisions within the Office of Education, other Federal and State agencies, the Congress and the White House.

These complaints include such matters as misrepresentation by salesmen, inadequate or late refunds of tuition, poor quality of instruction or equipment, and enrollment of persons incapable of benefiting from the instruction.

Although the Office is not empowered to exercise direct control over educational institutions, it does seek to determine, in the case of accredited schools, whether or not a possible violation of the accrediting agency's standards has occurred in such complaint cases.

The staff reviews each complaint and, if an accredited school is involved, directs a copy of the complaint to the appropriate accrediting agency with a request that the agency review the matter and report its findings to the staff. The staff, in turn, reviews the report of the accrediting agency and informs the complainant of the agency's findings.

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The Globe accused several proprietary vocational schools operating in the Boston area of a variety of abuses ranging from misleading advertising to violation of State laws. Inasmuch as several of the schools named by the Globe are accredited by nationally recognized accrediting agencies, these abuses, if actually committed, would indicate serious violations of the agencies' accreditation standards.

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Further, because several of the schools cited are eligible for Federal financial assistance programs administered by the Office, the staff wrote to each eligible institution and requested that it provide the Office with its response to the Globe allegations.

I can report, Mr. Chairman, that presently the Office of Education is in the midst of an intensive review of these cases and issues revealed by the Globe articles. A report on this will be presented to the Commissioner's Advisory Committee sometime this fall.

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One of the pressing questions right now is just how far this oversight can and should go in order to achieve realistic assurance that both the student's educational rights and the taxpayer's dollars are prtoected while, at the same time, avoiding unwarranted Federal intrusion into the educational process.

Let us make a few comments now about the complexity of eligibility determination. We are all aware of the fast-paced change taking place all around us, and education is logically in as much ferment as is the rest of society.

The basic philosophical framework for Federal reliance on the private mechanism of accreditation for eligibility purposes was developed initially for the 1952 Korean GI bill—22 years ago—and reinforced by adoption of the 1958 National Defense Education Act—16 years ago.

It was essentially retained during the midsixties when landmark legislation in support of higher education was enacted—approximately 10 years ago. We should not be surprised to find, then, strains and stresses as we attempt to resolve today's eligibility problems into statutes that were designed to suit another era.

Almost 20 classes of students have enrolled in and passed through our colleges since the passage of the Korean GI bill 22 years ago.

Let me then make two other basic points with regard to difficulties in eligibility determinations. First, the Office must deal sympathetically with the accrediting agency's attempt to address what they see as their own goals and purposes.

The objectives of some of the accrediting organizations occasionally are not targeted fully on broader public or social goals. Second, informed and discerning administration of the existing eligibility machinery is not limited to declaring institutions and programs eligible, but also to declaring them ineligible when necessary in an appropriate and, I hope, timely manner.

Indeed, the ability to act swiftly and fairly on the termination of eligibility is extremely critical when an institution's quality situation is deteriorating rapidly.

The authority to develop regulations to limit, suspend or terminate eligibility for the federally insured student loan program was obtained in the Higher Education Amendments of 1972, and procedures are presently being drafted under this authority.

We will respond to your questions about that during our back and forth.

Let us speak then for a moment about the increased need for consumer protection. Utilizing the concept of educational consumer protection, the Office has been moving strongly on this front during the past 2 years. Specifically, the Office of Education has supported, participated in, or accomplished a number of general remedies for unethical school practices in postsecondary education.

For example, we have set up an information exchange with the States, the Federal Trade Commission and other Federal agencies concerning consumer complaints against educational institutions falling within the purview of these agencies.

We have provided, through contract funds in conjunction with the Department of Defense and the Veterans Administration; for the development of a model State law governing the approval of private postsecondary schools by the Education Commission of the States.

We have funded a study of the interface between private accreditation and eligibility for participation in Federal education programs. The study, which is in its final stages of completion, is being conducted by the Brookings Institution and the National Academy of Public Administration Foundation.

We have worked through the Federal Interagency Committee on Education's Subcommittee on Educational Consumer Protection. We expect that they will have a rather detailed report on Federal strategy for educational consumer protection at their September meeting.

Permit me now to mention two items in the realm of educational consumer protection. First, while considerable publicity has been given to the unethical practices of certain proprietary schools, there is growing evidence that similar problems exist at nonprofit vocational and collegiate institutions.

As the competition for students becomes more acute, it is possible that many of these institutions are adopting practices previously ascribed only to the proprietary school industry.

Second, it seems to me, increased reliance on State agencies to provide added consumer protection in postsecondary education is a matter which deserves thorough exploration at this time.

One salient advantage in using State agencies, when they are efficient and effective, is that they generally can provide closer surveillance and oversight, and can react more quickly, than can a regional or national organization or agency.

Summarizing, then, Mr. Chairman, I have tried above to sketch out for you our view of the real world of accreditation and institutional eligibility as we see it today from our particular vantage point.

It is not an altogether gloomy picture. A true statistical perspective tells us that Federal aid to postsecondary education has been a phenomenal success: billions of dollars have flowed, millions of students have benefited, and thousands of institutions have been strengthened for service to the nation. There is a great deal to be proud of.

It is becoming increasingly evident, however, that the national concern for extending postsecondary education opportunities to all who desire and can benefit from them will require more diversification and flexibility in obtaining these opportunities than is now the case.

This, of course, means that accreditation and eligibility procedures must be adapted to these changing conditions, while at the same time preserving institutional autonomy and protecting the educational consumer interest.

With your continued good help, we shall try to hammer out eligibility standards that will facilitate needed changes and innovations in postsecondary education—standards that will be strict enough to protect the public interest but flexible enough to encourage rather than inhibit needed changes and innovations in postsecondary education.

Now, Mr. Chairman, we will be pleased to respond to your questions.

Mr. O'Hara. Thank you very much, Mr. Muirhead.

The problem that the committee is immediately addressing is one of eligibility for participation of institutions and their students in Federal assistance programs. I agree with what I took to be the drift of your statement to the effect that the question is broader than that.

Your statement indicates that we must concern ourselves with not only protecting the student in whose education Federal funds are involved but protecting the educational consumer generally, even if no Federal funds are involved.

I certainly would agree with that, that the subcommittee should look into it and I pledge to you that we will work with you in that quest.

With respect to the immediate questions before us, the ways in which institutional eligibility might be revised, I, as you, like the system that we now use, using accrediting agencies.

I don't think I want to see the Federal Government in the business of deciding which institutions ought to be accredited and which ones not, and substituting governmental judgments for those of the accrediting agencies.

But, it is apparent, I think, to all of us that the accrediting process needs to be buttressed by certain federal requirements for participation in these programs. In other words, I think we are going to have to develop a system that says a school must be accredited and "one, two, three, four." It must have these other qualifications in addition to accreditation. Does that seem to you to be a feasible approach?

Mr. MUIRHEAD. I think you stated it very well, Mr. Chairman. I think the accreditation process needs to be adapted to the needs of today, and we probably should, first of all, try to work with the accrediting agencies to see if they will include these other criteria of accountability that you have referred to.

If that is not in harmony with the purposes of accrediting agencies, then I do think there is need for the federal government to then insist upon certain eligibility standards that would do the things you have indicated.

First of all, to protect the Federal resources and protect the consumer interest.

Mr. O'HARA. Mr. Muirhead, I have before me a copy of your letter to Senator Brooke dated May 8, in which you identify some of the particular problems involved in the Globe's series of articles. Do you have that before you?

[The letter referred to follows:]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE.
OFFICE OF EDUCATION,
BUREAU OF POSTSECONDARY EDUCATION,
Washington, D.C., May 8, 1974.

Hon. EDWARD W. BROOKE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BROOKE: This is in further response to your letter of April 4 concerning the *Boston Globe's* series of articles on proprietary schools. In my judgment, the Boston Globe has performed a real public service in uncovering unacceptable patterns of recruitment and educational training at certain proprietary residential and correspondence vocational schools in the Boston area.

The functions of the Office of Education with respect to institutions of higher education (including proprietary vocational education schools) must relate to the basic role of the Office in providing assistance, either in the form of categorical institutional assistance or student financial aid. The eligibility of an institution of higher education to participate in such Federal programs is determined on the basis of criteria contained in the statutory definition of such institutions. See 20 U.S.C. 1085, 1088, 1141. With respect to the quality of training offered in an institution or its pattern of recruitment, the Federal statutes appear to contemplate that such controls as are exercised will be exercised by private accrediting agencies or otherwise through the process of accreditation. That is, if an institution is accredited, it is generally eligible for participation in Federal programs, and the accrediting process is normally carried out by private accrediting agencies. The role of the Commissioner of Education is essentially to approve the accrediting agencies rather than to accredit the individual institutions directly. In this connection he is authorized to publish a list of nationally recognized accrediting agencies which he determines to be reliable authorities as to the quality of education or training offered by the institutions to be accredited. Higher Education Act, sections 435, 491, 1201, 20 U.S.C. 1085, 1088, 1141.

A determination of whether an accrediting agency may be included in the list is made on the basis of published criteria against which the activities of the accrediting agencies are judged. The Office of Education has recently developed revised criteria for Nationally Recognized Accrediting Agencies and Associations, which should increase Office flexibility in ascertaining the reliability and responsibility of the nationally recognized accrediting agencies and associations, including those which operate in the private proprietary sector. Enclosed is a copy of the proposed revised Criteria.

As appears from the foregoing discussion, under the prevailing statutory scheme, monitoring with respect to recruitment and educational training policies of proprietary vocational schools is not directly carried out by the Office of Education. Such monitoring is properly a function of nationally recognized accrediting agencies, identified through the listing procedures described above. While the Commissioner possesses some authority with respect to eligibility status, it should be noted that statutory language in the General Education Provisions Act precludes the use of certain education laws, including the Higher Education Act, as a basis for exercising Federal control over curriculum, program of instruction, or administration of educational institutions. 20 U.S.C. 1232a.

Within the parameters of the above-described statutory scheme, it may be possible to enhance the degree to which individual accrediting agencies will exercise an increasing level of monitoring responsibility. This is a matter to which we are giving careful consideration.

In the interest of further strengthening the Federal Government's hand in the matter of education consumer protection, the Office of Education is serving as lead agency in the Federal Interagency Committee on Education's Subcommittee on Educational Consumer Protection. Recently the Federal Interagency Committee has stated its support of the Education Commission of the State's Model State Legislation for approval of Postsecondary Institutions and Authorizations to Grant Degrees. Along with RCS, the Office and other members of the FICE Subcommittee sponsored a National Invitation Conference on Consumer Protection in Postsecondary Education which was held in Denver, Colorado, on March 18–19, 1974. Through the Subcommittee, the Office also worked with the Federal Trade Commission in developing the FTC's recently published consumer education materials relevant to private, proprietary education.

The Office also has entered into a contract with the Brookings Institution and the National Academy of Public Administration Foundation to prepare a report on the function of institutional and eligibility process and on the consequences of this use of accreditation for Federal policy and funding for postsecondary education. The report will review the Federal Government's role in protecting the interests of students against the abuses of unscrupulous schools. We expect publication in June.

As the *Globe's* articles on the vocational education industry effectively highlight, five kinds of educational malpractice have arisen. These are: misleading advertising, indiscriminate recruiting, poor course completion, false job-placement promises, and insufficient tuition refunds. The Office relies upon the resources of Federal and State regulatory bodies, and recognized accrediting agencies to review complaints pertaining to consumer abuses in the proprietary field of education. The actual and potential scope and magnitude of these abuses, however, clearly indicate that additional Federal statutory action is required if educational consumers are to be protected properly. Following are remedial steps which the Congress might consider in revising current eligibility requirements for proprietary schools to participate in Federal financial aid programs:

Requiring a Federal tuition refund policy as a condition of receiving institutional eligibility to participate in specific Federal funding programs, such as the Guaranteed/Insured Student Loan Program, through amendment of existing statutes. Currently, the Office recommends that tuition refunds for all students receiving Federal benefits approximate a general pro-rata model.

Requiring, as a mandatory condition of institutional eligibility, that all salesmen be compensated on a salaried (non-commission) basis.

Broadening the scope of section 438(b) of the Higher Education Act of 1965 to enable the Commissioner to recognize State agencies for purposes of monitoring private vocational education. Currently, the scope of the Commissioner's recognition of State agencies is restricted solely to public postsecondary vocational education.

Requiring participating proprietary schools to provide the Office of Education, on a regular basis, with validated information regarding student dropout, course completion, and job placement rates.

Broadening the existing authority of the Commissioner to limit, suspend, and terminate the eligibility of a participating school in the Guaranteed Student Loan Program to encompass other Federal aid programs.

Defining appropriate revisions to current eligibility requirements—revisions relating to protecting students enrolled in proprietay institutions—is a complex matter, involving deeper ramifications than might superfically appear. Throughout our review of this question, these primary issues emerge: (1) broad societal implications, (2) national administrative flexibility, (3) concerns of program administration and practicality and, (4) protecting the interests of the educational consumer. The complex intricacies of these issues are highlighted by the *Globe*'s series on private vocational schools.

In further response to the specific queries posed by your letter of April 4, we believe that clear and evident deficiences exist in present monitoring devices used to assure the quality and capability of schools whose students now receive Federal funds. The present statutory system that requires using private nongovernmental agencies for purposes of educational evaluation and setting minimum standards of educational quality, by definition, lacks direct government controls or regulatory authority.

The advisability of establishing a Federal system of controls, or of individual school approvals or registrations, is now under refiew in the Brookings Institute-NAPAF study referred to above. However, we should not lose sight of the fact that careful consideration is required in defining the appropriate Federal role and the extent of direct government intervention that is permissible and compatible with our traditionally independent, diverse, pluralistic and autonomous educational system.

Parenthetically, the reference to the GAO report cited in part seven of the *Globe*'s series refers to a study undertaken of the Veterans Administration, and its programs which lies outside the immediate province of this agency.

While the *Globe*'s articles concentrate on proprietary schools, there is growing evidence that similar problems exist at nonprofit vocational and collegiate institutions. As the competition for students becomes more acute, it is possible that many of these institutions may adopt similar techniques.

An intensive review is now underway within the Office of Education regarding the abuses cited in the *Globe*'s series, and as soon as our staff research is completed, be assured that I will transmit our further findings to you.

Sincerely,

PETER P. MUIRHEAD,
Acting U.S. Commissioner of Education.

Mr. MUIRHEAD. I do now, sir.

Mr. O'HARA. You indicate on page 3 of the letter: "Following are remedial steps which the Congress might consider in revising current eligibility requirements for proprietary schools to participate in federal financial aid programs."

And I might emphasize a point you made in your statement, Mr. Muirhead, and that is, that this problem is certainly broader than proprietary schools. Some proprietary schools have very excellent records, others do not, and some nonproprietary schools are getting into problems.

And, of course, the nonprofit corporation sometimes permits, under various State laws, very profit-minded individuals to operate under the guise of a nonprofit organization.

The organization itself might make no profit but it might pay a six-figure salary plus bonuses to the founder and president of the corporation. It is not unknown that these devices have been used and abused.

But your first suggestion I think is one that I think is a very important point, the tuition refund policy. It has been pointed out in the Globe and elsewhere that under the tuition refund policies that are actually operative, it is sometimes to the school's advantage to have the student drop out. They make more money if he drops out than if he completes the course.

We have to get straightened out with respect to tuition refund policies and that must be a condition, whether it be a condition under the accrediting process or a condition that we impose in addition to the accrediting process I don't know.

Do you have any observations on that first point?

Mr. MUIRHEAD. We have, of course, been thinking very seriously about that problem, and you are quite right in indicating, Mr. Chairman, that it is not a problem that is peculiar to proprietary institutions. It is a problem that applies to all our tuition-charging institutions.

We believe that, under the authority that you have invested us with to develop regulations for determining limitation, suspension and termination of institutions, we can include in those regulations a viable refund policy that an institution would be required to follow in order to be eligible for federal participation.

We would ideally wish that we could see this included in the criteria published by accrediting agencies so that all institutions, whether they are eligible or participating in Federal funding, would provide for a fair refund policy with regard to students.

I can report to you that, in the working drafts that we have of the proposed new regulations on limitation, suspension and termination, we will include a provision for a viable refund policy, and hopefully, we will find more of the accrediting agencies including that in their criteria.

We will include it as the regulations provide, for institutions participating in the guaranteed loan program.

I should report to you, Mr. Chairman, that part of our legislative request to you this year will be to ask your authority to permit us to extend that regulatory language on limitation, suspension and termination to all other programs, rather than having it limited to the guaranteed loan program.

Mr. O'HARA. Yes, I think that is an excellent idea, but I do think that the Congress, in the exercise of its responsibilities, ought to tell you just what kind of regulations it expects, rather than simply giving a grant of power to regulate.

We do want to get into the particulars of the kind of regulations we would expect to be promulgated.

The second point has to do with the manner of compensating salesmen, and I think that is a good point. That point, however, along with point—if I can assign numbers to them—4, a truth-in-advertising sort of thing.

Someone once said one of the most deceptive documents in the world is a college catalog. I am not sure that is a fair indictment, but they aren't always the most informative publications that you can find.

We ought to be concerned with the kinds of materials that are provided to prospective students. We ought to perhaps be concerned that the kind of information you point to in item 4, requiring certain schools to provide the OE on a regular basis with validated information regarding dropout, course completion rates, signup.

Perhaps schools which wish to participate could be required to furnish such information to the prospective student and not just the Office of Education. I think that would be very helpful way of dealing with the problem. Do you have any reaction to that?

Mr. MUIRHEAD. I think your ideas are very worthwhile. We would hope that the Office of Education could possibly take a little more initiative in this area, particularly in those areas where students have been enrolled at institutions and their costs are paid through the guaranteed student loan.

We are now proposing to put into the hands of all such student borrowers a sort of truth-in-lending statement, so that they know just what obligation they are accepting. We have some evidence to indicate that sometimes students sign up for such loans and don't fully realize what their obligations are.

We feel that at least we have the responsibility to see to it that before they contract for a loan they understand fully what their obligations are.

Mr. O'HARA. Yes, and I am concerned—it is another aspect of the guaranteed loan program and the institutionally based programs—about the salesman that shows up on the doorstep and attached to his clipboard are two or three sheets of paper, and he says, "Sign here."

One of the things you are signing is your application for a guaranteed loan. It sometimes isn't clear to the student what he is getting into. I am not so sure that we can't approach that as a subaspect of not permitting that one-stop kind of service, where you sign up for school and for your loan and waive your rights, all at the same time.

Mr. MUIRHEAD. I think that is a very good suggestion. That particular situation, of course, is not peculiar to education. I support, and I am sure you are advocating, that the recipient have an opportunity to think it over before signing on the dotted line and having it become legally binding.

I would hope that our regulations might provide for some opportunity for the prospective student to seek additional counsel.

Mr. O'HARA. I have a case right now of a young gentleman who enlisted in the Marine Corps and immediately started thinking it over. I think he may have some problems getting out of the contract, but I am going to suggest to the Armed Services Committee that they might provide a few opportunities like that too, at least a few days in which you can think it over and change your mind.

I think there ought to be the same sort of thing here. I am not going to take any more time except to say this; that the committee is determined to end, to the extent it is possible to do so by statutory enactment, the abuses of these programs.

We do hope to have legislation before the end of the session and we will be working with you. I don't want to come down hard on any notion of what we are going to do until we have heard some of the other witnesses on this subject, but we are very interested in your recommendations and we do hope to work with you and get something done shortly.

Mr. Dellenback, do you have any questions?

Mr. **Dellenback**. Thank you very much, Mr. Chairman.

Dr. Muirhead, as always, your contributions are helpful. We are grateful for your being here again. You have outlined this issue well so we can go forth into the problem areas on a good sound basis, Peter, and we are very thankful for that.

In terms of our essential responsibility—not the running of the show or the administering of it—but the making of policies under which the Federal Government operates, I am interested in some of the delays that have been involved with these regulations.

In the 1972 amendments, we gave you authority, as you pointed out in your testimony, to limit, suspend, or terminate, an institution's eligibility under the GSL program. It was my understanding quite some time ago that regulations were about ready to be published, and we are now a long way past the 1972 amendments. I am wondering if you have anything you could contribute to us on this. I mention this not to attack and criticize you, but is the law too complex? Is the issue too complex? Don't you have enough people? Why has it taken this length of time and the regulations still aren't out?

Mr. **Muirhead**. I think the question you ask is a perfectly fair one, and on the face of it it would appear as though we should have been responding at a much earlier date. I first of all must acknowledge that we are running behind in carrying out this particular provision in the amendments of 1972.

But, as I can say to you, and you probably as much as anyone would understand all the complexities of the Education Amendments of 1972, there were a host of other provisions that we were required to carry out, particularly the provisions having to do with the establishment of regulations for new programs. We have moved as rapidly as we could and still maintained the quality of the regulations.

It was a matter of priorities, Mr. Dellenback, that we have moved, first of all, to produce the regulations that were needed to have the programs continue to operate as the law required.

This particular provision of limitation, suspension, and termination cut across all the regulations. We, at one time, thought we would include it in the guaranteed student loan program regulations and have it solely reside there.

We thought better of that, and now we are seeking to have special regulations that are separate from the programmatic regulations, looking forward to the time when regulations of this kind will be available for all other programs.

The shorthand answer to your question, Mr. Dellenback, is that in the order of priorities we had to put our staff, time, and resources on some higher priorities.

Mr. Dellenback. Have you attempted to do anything under section 438(a) without waiting for the regulations, or have the authorities we sought to create by statute just lain quiescent?

Mr. Muirhead. I am not sure I understand that.

Mr. Dellenback. The section we are talking about gave the Commissioner authority to limit, suspend, or terminate an institution's thereto.

Since we gave you the authority, have you actually used that authority at all? Or, because you don't have the regulations formulated, have we done nothing by what we enacted into law 2 years ago so far as this problem is concerned?

Mr. Muirhead. We have taken steps that we felt we were permitted to do under the programed legislation, but we have not been able to eligibility. I was asking about the regulations that would be pertinent clothe them with the authority of regulation. In instances where there have been abuses in schools, we have counseled the school.

We have taken them to the point of telling them that their eligibility was threatened, but we did not have the ultimate authority that resides in regulations.

Mr. Dellenback. Under section 438(a) of the law it says:

> The limitation, suspension or termination of eligibility under this part of any otherwise eligible institution, whenever the Commissioner has determined that, the notice of affording the opportunity for a hearing, that such institution has violated or failed to carry out any regulation prescribed under this part.

Have you used that at all?

Mr. Muirhead. Let me ask Mr. Proffitt to respond to that.

Mr. Proffitt. No, sir, we have not used it in the formal sense because, again, the wording of the law ties it back to the regulations of the program and one of the things we toy around with in terms of possibilities for change in the statute would be to provide some elements whereby the Commissioner could act on a broader basis but which would not be tied to the regulations of any specific program while keeping that as one of the elements which would trigger limit, suspension or termination.

We have, for some time, since 1968 I believe, terminated schools in terms of the eligibility status. We have also limited them in terms of their participation in various programs, and from time to time, we have engaged in a form of suspension.

But that has been utilizing other elements of our authority and has not been in a formal sense such as this.

Mr. Dellenback. What you have said, Dr. Muirhead, about 22 years having gone by and all of these changes have been taking place—I am with you on this. On page 20 you outline 8—really 9—eligibility dilemmas. Again, I understand.

But it frankly is frustrating from our standpoint when 2 years ago, recognizing some of these problems, we passed a law and said you need certain additional legal tools to accomplish certain things, and we tried to give you some of those additional authorities that were necessary to deal with these problems.

On this one particular point it is my recollection that about a year ago the quotation was the USOE would "soon publish" regulations to implement this section. That was a year ago. If you weren't going publish the regulations, I don't think you should have said that.

I am frustrated by the fact that having been apprised of the problem we enacted legislation which, for 2 years now, has not been used. I can understand that we may have loaded you with so many problems that you couldn't do them all, but I would much rather a year ago you had come before the Congress and said, "We can't do all these things at once. You have given us a host of tools. We have the responsibility to come out with regulations but we aren't going to be able to do it for a while."

I am tempted to ask you another question at this stage of the game. What other sections have you not yet been able to implement which we just don't happen to be focusing on in our inquiry?

We recognize how fully complex that law is. But I would suppose, or at least hope, that somewhere in OE there is someone who said there are 172 things that law calls on us to do, and we have now done *x* number of them. We haven't even gotten to the remaining *y* number. Further, I hope that person is also keeping tab on what isn't being done so that when this law is going to have to be revised—we are getting close to that time again—we know what in heck we are supposed to be concentrating on.

I mean this analytically—you know that. I don't mean to be climbing on you, and yet I pose the question: "Have you failed to measure up to the responsibilities we gave you?" What do we do from here?

Mr. MUIRHEAD. I think your comments are perfectly justified, Mr. Congressman. I have no other explanation for you other than that, when we did appear before you a year ago we were more optimistic than we had any right to be, as our subsequent actions have shown.

We have made decisions in the Office of Education to carry out the provisions of the education amendments of 1972 at a priority level. We are now moving much more vigorously on this particular item and I can share with you that we now have a draft of the proposed procedures for limitation, suspension, and termination.

It is our present plan to circulate that to the interested parties and to move for its publication in the Federal Register. Our present schedule for publishing it for rulemaking purposes in the Federal Register is about the first of November.

I would be pleased to respond to questions concerning what some of the provisions are that we would include in the proposed regulations. The regulations will deal with the problem of refund policy. They will deal with the problem of whether or not the school is relying too heavily upon Federal funds for its operating costs. They will deal with the job placement practices of the school. They will deal with the dropout problem in the school.

It has been a very complex assignment. I just have no better explanation for you than the fact that it has not been on our front burner because we felt that there were other activities that had to be done first.

Mr. **Dellenback**. So with the estimated November publication date for that, Dr. Muirhead, it will not really be pertinent to this year's entering classes at all. We really will have no impact until next year's classes?

Mr. **Muirhead**. That is right, Mr. Dellenback.

Mr. **Dellenback**. One other specific question that we get to when we look at 1201. In section 1201, we lead off by saying that the term "institution of higher education" means an educational institution in any State which admits as regular students only persons having a certificate of graduation from a school providing secondary education or the recognized equivalent of such a certificate.

That is the basic beginning. What about vocational schools, community colleges, etc., which admit students which don't meet that requirement? Do they qualify?

Mr. **Proffitt**. No, sir; they would not qualify. The schools would not qualify if the students do not qualify. However, we have, in many cases, found that such institutions provide at least one or more programs which do require high school graduation or the equivalent.

Therefore, we have extended eligibility to the school for those particular programs and to the students within those programs, but make it very clear to the institution that there is a limitation of the eligibility status on those programs.

Mr. **Dellenback**. At the risk of treading on the toes of my good friend and colleague from California, Mr. Bell, it is my recollection that the California community colleges have almost an open door. Anybody who is 18 is admitted, but no such requirement as section A-1 of 1201.

Do those community colleges qualify? Do the students in those colleges qualify for the kind of help we are talking about.

Mr. **Proffitt**. Yes, they do.

Mr. **Dellenback**. Even though the student doesn't meet that particular requirement? Even though you may have 50 percent of the student body that doesn't qualify, the school still qualifies?

Mr. **Proffitt**. That is correct.

Mr. **Dellenback**. What is the percentage minimum, 10 percent?

Mr. **Proffitt**. We have no percentage minimum. There is a vocational school that has a program for 5 students out of 500. We extend eligibility to the school for that program.

Mr. **Dellenback**. For those students that qualify?

Mr. **Proffitt**. Yes, sir.

Mr. **Dellenback**. What about all of the others at the school, the 495 in your example—is it correct they would not qualify for any special help under the definition?

Mr. **Proffitt**. That is correct. We have already suggested that consideration be given to revising this language and we have some specific language to propose for that which essentially would be that they admit as regular students persons who have completed or left high school or who have the ability to benefit from the training offered by the institution.

Mr. **Dellenback**. Is there any difference on this particular point in the way you treat community colleges and private vocational schools?

Mr. **Proffitt**. There may be in the way we treat community colleges and private vocational schools.

Mr. **Dellenback**. I am thinking particularly of that.

Mr. **Proffitt**. There is very definitely.

Mr. **Dellenback**. I recall that there was a problem with vocational schools in Kentucky which didn't qualify because they were missing something. I am wondering exactly where the line of demarcation is. However, I don't think we need follow that at this particular time. We will talk about that further.

I do hope that you will be coming forth, Dr. Muirhead, with specific proposals that you have for changes in statute. You have just said there may be a recommendation to us, Dr. Muirhead, relative to this particular one and whether we ought to change it.

That is the kind of specific input which we would like to have, where you say, because of this particular problem we would urge you to do so and so relative to this section of the statute.

I hope these will be forthcoming soon.

Thank you, Mr. Chairman.

Mr. **Muirhead**. Thank you, Mr. Dellenback.

Mr. **O'Hara**. The gentleman from California, Mr. Bell, has been very interested in this subject because of certain abuses that have occurred in his State and elsewhere. Although he is not a member of the subcommittee, he is very interested in these hearing and the chairman has invited him to participate in the hearings.

Mr. Bell.

Mr. **Bell**. Thank you, Mr. Chairman.

Mr. Muirhead, I am delighted, from the California standpoint, that the junior college institutions have been able to benefit from this law, but I am wondering why you did not point up the changes needed in the law to include it.

You went around the statute. I am wondering why you didn't come to the Congress and make the suggestion that the law be changed so that it would clearly provide for postsecondary schools, such as we have in California, to be eligible.

Mr. **Muirhead**. Congressman Bell, we intend to take full advantage of Mr. Dellenback's invitation to submit suggested legislative changes. I had already volunteered one that we would ask for an extension of the limitation, suspension, and termination provision to all programs and will pursue Mr. Dellenback's invitation to submit additional legislative remedies.

Mr. **Bell**. Mr. Muirhead, the articles in the Boston Globe, and other newspapers report tremendous abuses that have been occurring in Boston, Los Angeles, and other areas. As you know, when a student takes out an insured loan, he assumes that the Federal Government has certified the school, and, therefore, the school is reliable and educationally sound.

The students go ahead and get sucked in by virtue of the fact that the Federal Government appears to be behind these institutions.

Regardless of your other priorities, Mr. Muirhead, I think when you talk about a $6 million loss, in the West Coast Trade Schools alone, you are talking about a tremendous amount of money that the Federal Government and students are in trouble over.

Beyond that, you are going into the philosophy of the very foundations of our educational system. We are trying very hard. For the last 2 years this Nation has been trying to get young people in poverty areas into educational institutions, so that they can get a job that will keep them out of trouble, poverty, and many other things.

Then, to have the Federal Government appear to be part and parcel of this problem, I can't think of many priorities that would be higher than that. I am wondering what steps you believe we should take and will be taking immediately to solve this problem.

Mr. MUIRHEAD. Mr. Bell, you are quite right in pointing that out. That is indeed an overriding priority. But I think it is fair for me to point out that the West Coast School situation is in the present status because we did take action and we did move vigorously to protect the consumer interest.

Really, it is a very good example of using the authority we do have. We do plan, and I think it is fair to share this with you, Mr. Bell, to look into that case and to see to it that in every way possible we will protect the interest of student.

We have notified our regional office to consult with the students and if, as a result of the closing of the school, the student has not completed his instructional program, then we will have a procedure for adjusting the amount of money that he owes under that loan.

It would be a tragic thing, just as you have indicated, if, as a result of a school finding itself in such a financial condition, that it closed, and the student was then left with a loan to repay without finishing his instructional program.

Mr. BELL. I appreciate your moving on the matter of the West Coast Trade Schools. What do you have planned regarding the accredited institutions that are involved, the ones holding the loan paper? It isn't just the West Coast Trade Schools.

The West Coast Trade Schools involve a $6 million loss in the Los Angeles area alone, but you also have the problems mentioned by the Globe in Boston. These problems are coming to the surface and there may be others. The entire problem is what I am concerned about, however, not just this one Los Angeles incident.

Mr. MUIRHEAD. And I think it is why we should surface that problem. I am going to ask Mr. Moore, the director of the guaranteed loan program, if he would share with you what steps we plan to take.

Mr. MOORE. Mr. Bell, we have identified slightly under $7 million worth of paper which represents loans taken by students who went to West Coast Trade Schools or West Coast Schools, the predecessor.

There was a change of ownership in 1969 or 1970. This paper is held by 29 credit institutions, virtually all of them in California. It includes a large number of credit unions, several banks and, if my memory serves me correctly, a couple of savings and loan institutions.

These 7,000 accounts this summer are to be examined under a contract which we are negotiating with a C.P.A. firm to handle for us to find out exactly what the situation is with respect to every one of these loans.

As Dr. Muirhead pointed out earlier, obviously some of them were taken out by students who were in school at the time the school closed, and it might be proper and appropriate for the Commissioner, in those instances, to exercise his authority to waive, compromise or settle on the claims that have arisen.

In other instances we are afraid we may find that the loan had been made to a student who never enrolled at all, in which case a question is then raised as to whether or not we can, in fact, insure the loan.

In some instances the agency which owns the paper at the moment may have to take a loss. It is going to take us, because of the volume involved here, probably most of the summer to settle this because, as I say, it has to be done on an account-by-account basis.

But we do know where every single one of these loans is. It has taken us since February to identify the makeup of the portfolios of these lenders. That is where we are operationally on that one.

Mr. BELL. It would certainly be a necessity to follow up on this situation.

I am considering an amendment to my own bill, to the bill that Mr. Pettis and I have introduced, which would require that proprietary schools, at least those that are direct lenders, be bonded as a condition of eligibility. I wonder if you would comment on that.

Mr. MUIRHEAD. Again, referring back to our present exercise, Congressman Bell, in drafting regulations for limitation, suspension and termination, one of the factors that we are considering is a situation where a school has become much too dependent upon Federal funds for its operating costs—so much so that there is some question as to its financial stability.

One of the factors we are considering for inclusion in these regulations is to require a bonding of Federal guaranteed loan funds when they have reached a certain percentage of the operating costs.

Mr. BELL. You are considering the bonding?

Mr. MUIRHEAD. We are considering that.

Mr. BELL. I would certainly think that would be important. Some schools are completely going under shortly after they get started, and I have had many complaints about such institutions. Students are just up in arms about it.

You mentioned you were going to make some proposals for changes in the regulations and suggestions for changes in statute. How soon are you going to come up with these?

Mr. MUIRHEAD. We expect to have the draft of the proposed regulatory changes on limitation, suspension and termination ready for circulation within the next month and to distribute them to a wide range of interested parties. Then, following their input, we will seek to publish the regulations in the Federal Register for rulemaking purposes about November 1.

Mr. BELL. In what areas are you proposing changes, Mr. Muirhead? Accreditation, as we have discussed, doesn't seem to be the sole answer, although it is a partial answer. What other areas of eligibility are you considering? Can you give me some idea as to the combination of plans that might work so that the Federal Government will not completely dominate the situation?

Can you explain the plan and give us an idea of how you think it would work?

Mr. MUIRHEAD. We are considering a number of items, one I have already shared with you, and that is a broadening of the LST authority. We are also looking at whether or not it might be advisable to broaden the statutory authority that now permits States to accredit public vocational schools, including private as well as public vocational schools, if the State can meet the standards as a recognized approval agency.

We are looking at and giving some consideration to seeking legislative authority for requiring a uniform refund policy that would apply, as I fully indicated, not just to private proprietary schools but to all schools.

We are hoping that the regulations might also include some public disclosure of what the school's dropout rate is, and what the job placement is. These are some of the things we are considering, as I indicated.

We are very eager to get the type of input that will come from this committee hearing and from other interested parties.

Mr. BELL. Mr. Muirhead, with pardonable pride, I would like to point out that some of the things you are suggesting are already in the Bell and Pettis bill, so I am pleased to hear you are taking this action.

Mr. O'HARA. Thank you, Mr. Bell.

We have another witness and a full committee meeting at 11:00, but, with respect to the eight that became nine eligibility dilemmas that you refer to on page 20 of your statement, we haven't really had an opportunity to go into those to the extent that we would like to go into them today.

We concentrated instead on the abuse problem. We would like to talk to you and your people at a future hearing with respect to those eight or nine problems because they are problems we have been concerned with, problems that have been brought to us on the committee from institutions, branch campuses and so forth, and particularly the open universities question.

We would like to discuss those with you at another time and we will give you warning.

Mr. MUIRHEAD. I am very glad that you are wrapping it up on that note, Mr. Chairman. It is important for us to deal with the problems of accreditation and eligibility in terms of regulations.

I am so pleased to have you end it on a note of having us look at eligibility and accreditation in terms of our identifying new changes and innovations in postsecondary education that should be recognized.

Mr. O'HARA. The ranking minority member and myself have frequently expressed ourselves during these hearings as being extremely interested in nontraditional education, broadening opportunities for all age groups in our population to attain further education of many different varieties and we think we have to explore these possibilities and make sure our eligibility criteria are not so rigid as to exclude some of those very promising new openings in higher education.

I yield to the gentleman.

Mr. DELLENBACK. Briefly, I want to say that while I strongly support what the chairman has indicated as to further followup hearings, there are a few questions that I would like to ask in connection with the area that we have dealt with.

I would like permission when I write to Dr. Muirhead and get the answers back to have these questions and the answers made a part of the hearing record.

Mr. O'HARA. Without objection, it is so ordered.

Thank you very much.

Mr. O'HARA. Our final witness today will be Mr. Joseph Clark, who is Commissioner of the Indiana Private School Accrediting Commission.

STATEMENT OF JOSEPH CLARK, PRESIDENT, NATIONAL ASSOCIATION OF STATE ADMINISTRATORS AND SUPERVISORS OF PRIVATE SCHOOLS, AND COMMISSIONER OF THE INDIANA PRIVATE SCHOOL ACCREDITING COMMISSION

Mr. CLARK. Mr. Chairman, for the record, I am the president of the National Association of State Administrators and Supervisors of Private Schools. This is a national association made up of some 36 States in the country who have laws regulating proprietary school industry. So, part of my remarks would be in connection with our National Association.

And, for the record, I am the commissioner of the Indiana Private School Accrediting Commission, which is a State government agency.

I think one of the first things is we are normally held up in a problem of semantics when we talk about problems affecting this area of education so, if I may, Mr. Chairman, I would like to offer to you the fact that perhaps if we would use the term postsecondary education and postsecondary educational institutions we might better zero in on the kinds of problems we have.

Basically, that would be the noncollegiate sector, which we would commonly consider to be the proprietary profits and proprietary nonprofits; and secondly, the collegiate sector, which would be your public higher colleges and universities and your private higher colleges and universities.

We have basically three kinds of accrediting organizations. We have those which are national in scope. We have those which are regional in scope, and we have those which give academic accreditations, as you know, such as the schools of law and the MBA programs.

It is quite possible to use our own North Central Association to say that it could accredit a university or college but not necessarily have it within that university and college. The course is accredited by the academic accrediting commission.

I think we should say what accreditation is and perhaps what it isn't. Accreditation is an attempt to establish minimum standards, have those met and, hopefully, through peer pressure and evaluation, to have the institution reach higher.

It is not necessarily accountability, and I think, Mr. Chairman, that is the thing we are interested in in this whole area, accountability and who can help determine what accountability is and how it is maintained.

I think the question, therefore, has two parts; how do we attain accountability and how do we protect the students, and also, how do we protect the government when it gives government money to these institutions.

I would say here, gentlemen, that no college, no university, no school should be a lending institution. It should be what it is, hopefully, a college, university, or school.

It is important, therefore, that we get our citizens to the classrooms, whether that citizen wants to become a poet or lathe operator or a secretary or a Ph. D. in psychology. The question is, how do we do it and we have found that we cannot do it by accreditation alone.

As you might imagine, we in the national association are States' rightists and we believe that the brunt of the operation should be maintained by the States since the Constitution did give to us the responsibility of education.

The fact that we have not responded as States to this responsibility is a well-documented fact, but there are changes coming which look good. We have some States with extremely fine laws now to regulate proprietary schools. We have some States, of course, who have no laws.

I would submit therefore to this committee that perhaps as you look at what you want to do in terms of eradicating the problem that perhaps if the Congress of the United States would make a mandate to each individual State that if that State would enter into some kind of a regulatory function that that coupled with the accreditation could be used as a safeguard on institutions, because, as you well know, gentlemen, we are talking about a small sector of a larger sector of education in this country and the number of accredited institutions and the number of institutions which are looked at by AICS, by NATTS, is a very small number in comparison to the total number of schools we have.

Quite frankly, I can't tell you how many schools we have in this country. We used a figure of between 7,000 and 8,000 in the proprietary sector because we are talking about trade, technical, business, barber, and beauty schools.

But we have had a figure as high as 37,000, and that would be all kinds of persons teaching dancing, karate, judo, sky-diving, or whatever. So, if we look at the 7,000 we have a very small percentage who are actually accredited.

One of the crimes that has been committed in this country by those of us in State government, Federal Government and education has been the fact that we have forced institutions into accreditation so that those institutions could be recipients of Federal funds.

This has created problems which you gentlemen already know about. I think it is unconscionable that an institution would be allowed to function with almost 100 percent of its financial basis coming from either guaranteed student loan programs or from veterans moneys.

This only leads to disaster as we can prove in case after case across the country. The Federal Government should not accredit, should not list institutions as to whether they are eligible or not. This must be done by the States in cooperation with the accrediting bodies.

There are safeguards that the Federal Government must have and must insist upon. I think these things which you have determined to be needed can be best carried out by a different kind of accountability concept within the States and the accrediting bodies.

Finally, we do believe in our national association in what we call the "triangle of assistance." That is, that the State governments do the thing they can do well, that the peer associations do the thing they can do well and that the Federal Government, so that we each work together on the point of the triangle, each going for the one thing that we must all go for, and that is accountability.

Very briefly, I would be remiss as commissioner if I didn't throw out a couple of things in terms of what we have done in Indiana. Since 1971, we have had 558 trade and technical schools doing business in our State or domiciled in our State.

Of that number, we have been responsible for 276 no longer doing business because they did not measure up. We use, in the title of our commission "accredit." I argue with John Proffitt, and Bill Fowler and Bill Goddard about the use of the word "accredit" by a State agency.

If someone can give me a better term I will use it, but what we are looking for is accountability. We do send teams in, gentlemen, from business, industry, and education doing onsite evaluations of these institutions.

Every 5 years the institution is reevaluated and every year in between they submit to us financial statements, course changes, graduate drop outs, all the kinds of pertinent information necessary to the life of an institution.

We also do this out of the State of Indiana. We have gone to Pennsylvania. We have gone to Florida. We have gone to Kentucky doing these kinds of evaluations on these proprietary profit and nonprofit institutions.

We look at every facet of the institution; financial, instructors, text books, courses, degree programs. We are proud of what we have done. We have talked to other States through our national association in comparing.

If at some point, gentlemen, all 50 States in this country would take their responsibility and have some kind of an accountable system for these schools, this would be an invaluable assistance to you in seeing that the kinds of moneys we are talking about do the job they are supposed to do.

One final point. The National Association will be coming out later this year—hopefully at the end of August or September—with six position papers, two of which would have interest for you.

One is on financial stability of institutions, what we perceive in State governments as being a good basis for financial stability. And one is dealing with the abuses that we have seen in State governments with the guaranteed student loan program.

That, Mr. Chairman, is basically my observations.

Mr. O'Hara. Thank you very much, Mr. Clark.

Did you say that 36 States——

Mr. Clark. Yes, approximately 36 States have some kind of regulation right now and there are 6 States in the wings at various levels. I think two more States have used the model ECS legislation; I believe Tennessee and one of the Western States. Washington State is about ready to come in with theirs.

We have approximately 42 States with one kind of an approval or another over these institutions.

Mr. O'Hara. You speak of model ECS legislation.

Mr. Clark. There was model legislation developed by the education commission of the States in cooperation with the U.S. Office of Education. This is being used by States not having legislation.

They will adapt this model to meet the needs of the State. Our own national association is working on model legislation because we happen to feel that those others who are State administrators and work day to day might have some kinds of information which should be included in legislation at the State level, which might be good.

The ECS model legislation is good.

Mr. O'Hara. With respect to that, I imagine a number of States had legislation before the ECS model came along.

Mr. Clark. Yes, they do.

Mr. O'Hara. Using the ECS model as a standard, what would be your estimate of the number of States that are equal to or exceed the standards in terms of their regulatory authority?

Mr. Clark. I would think, Mr. Chairman, maybe seven would be comparable or exceed it. Some States, unfortunately, have laws which are almost comical. I know I shouldn't say that, but it is the truth.

In NASASPS we have seen a good cooperation between the States. We have been together, those States in the national association, and talked about our laws and what we do and what we can't do.

We began to see these people then going back to their respective States and talking with the people. As you gentlemen know, in our State we are victims of our own legislatures and political forces within the State.

It saddens me that those of you in Congress have not taken the incentive to talk with State officials in terms of your assistance, which is needed, to try and give these States which need legislation to get better legislation.

I think, in terms of the national dilemma, considering all postsecondary education that the Members of Congress, in talking with their State officials or educational people, can impress upon them the importance of what must be needed, not only for the proprietary sector, which is only part of postsecondary, but because of the abuses we see now in the other side of postsecondary.

I do not say that as an alarmist to do the thing I do not like people to do considering proprietary, which is to raise a cry that all postsecondary is bad, but there are abuses.

It becomes necessary then that the dialog between your offices and our offices is extremely necessary at this point.

Mr. O'Hara. I would certainly agree with that assessment. I think there is no disagreement between the gentlemen from Oregon and myself that we do not necessarily prefer regulation by the Federal Government.

Mr. Dellenback. You are stating it very calmly.

Mr. O'Hara. You see, we are in agreement.

But we have to find out just what the State or Federal regulation is and how we can make certain that certain standards are followed, certain minimal standards.

Mr. Clark. I think, if I may, Mr. Chairman, one of the problems might be that the very rules and regulations which you have given these agencies to follow in the sense of stifling them, I think the Office of Education has had problems because certainly the Veterans' Administration has and the work of the State approving agencies.

Mr. O'Hara. You speak of your State agency, for instance, as regulating profit and nonprofit proprietary institutions.

Mr. Clark. We make no distinction, Mr. Chairman.

Mr. O'Hara. I am interested in the concept of a nonprofit proprietary institution, that would be an institution which may be organized under the laws of Indiana as a nonprofit organization but which you would classify as proprietary.

On the other hand, I doubt it would include the traditional private liberal arts college, which is also on a nonprofit basis.

Mr. Clark. No, it does not and I should clarify that point for you. Our commission is responsible for trade, technical, business, mechanical, professional, and correspondence schools.

The commission for higher education in our State is a State-supported institution and the private colleges, such as Notre Dame, Butler, Hanover, and Franklin come under what we call the independent colleges and universities, which is an amalgamation in our State of these colleges.

We do not have any control over those and do not wish it. But, there are problems in those sectors which need to be looked at. Again, the States sometimes do not look at those. They will tend to accept accreditation given by North Central or Western or Middle States and inherent in those accrediting agencies are serious problems.

Mr. O'Hara. We have appreciated your testimony. We want to work with your association as we go down the road because we think the States ought to be involved in this, if there is some prompt and reasonable way of involving them.

I yield now to the gentleman from Oregon.

Mr. Dellenback. Thank you very much, Mr. Chairman.

Mr. Clark, this has been good testimony that has served to broaden our understanding. We are grateful for your having taken the time to come and be with us.

I would ask several questions. So far as your own procedures are concerned, do you have financial requirements which you attach to accreditation in addition to educational requirements per se?

Mr. Clark. Yes, we do look at the financial stability of the institution. We do request audit and financial statements, which we have professionals look at. We also require bonding of all institutions and bonding of all agents.

One of the first lines of defense is if the school cannot qualify for the bond itself, this is an indication of a danger in its financial stability because, as you know, Mr. Congressman, the bonding companies will not do this. After they have made a check, if the school does not measure up they will not grant the bond.

Without the bond they cannot do business in our State. That is the first step. The same thing with the agents. Sometimes we head off agent problems by doing investigations of the agents or the bonding. If they can't get bonded, they can't function as an agent.

Mr. DELLENBACK. The bonding process is used as a partial measure of what: the financial integrity of the individuals who are involved, or the guarantee of the completion of the educational idea?

Mr. CLARK. The last. Basically, it is if the school says we are going to provide educational services and you will receive these services and you will be able to be placed or have a job, or whatever, then the school must do that, so that the bond is a different kind of bond than we are normally used to.

The bond is paid, not to the State, but to the student directly if that student is decieved or a fraud has been committed or if the school goes out of business and therefore the basic contract is not fulfilled, which is for the school to provide an education to the student.

Mr. DELLENBACK. You mentioned another thing in your response which intrigued me. You indicated something about placement. Do they actually bond regarding job placement, or is it merely to insure that they offer the student those courses which they claim they are going to have the capacity to offer?

Mr. CLARK. The only problem with the placement, I would say, would be if they promised the placement and do not provide it. As you know, no school is supposed to promise placement.

Part of that, Mr. Congressman, is to cover any deceptive practices or fraud which may later come out. But to say they are bonded for placement, no, sir, that is not accurate.

Mr. DELLENBACK. But there is a bonding requirement that you have as one of your essential requirements for accreditation.

Mr. CLARK. Yes.

Mr. DELLENBACK. What about the percentage of applicants for accreditation with you under your State law?

Mr. CLARK. This is why we have an argument over the terms. No one has a choice, whether you are getting it or not getting it.

Mr. DELLENBACK. They must get it or what?

Mr. CLARK. They cannot do business in the State. They must measure up to the standards or they cannot operate.

Mr. DELLENBACK. Is yours one of the most stringent laws in the United States?

Mr. CLARK. Yes, it is. We are the only State in the United States that has a felony. It is 1 to 10 years and a $5,000 fine for fraud or conspiracy. We have already invoked that in the last week on a school that we just exposed as fraudulent and we had already presented it to the grand jury.

We were also responsible last year, as you may recall, sir, regarding the big truck driver training school fraud, Worldwide Systems, Inc., which was in the Midwest and our State.

This was about a $2.3 million fraud and our agency is the one which broke the case after a year and a half. We prosecuted and turned our findings over to the postal authority and U.S. Attorney. They were subsequently convicted.

I would add quickly though that this was a fraud. It would not matter what kind of rules we had in our States. It was a fraud. They had no intention of complying.

Mr. DELLENBACK. Most of the States don't measure up to the stringent requirements of your State law?

Mr. CLARK. No, sir.

Mr. DELLENBACK. Is your State one of the handful that our chairman asked about that are tighter, more stringent or more superior to the model State law?

Mr. CLARK. I would not need the model State law in our State, sir.

Mr. DELLENBACK. It adds nothing to what you already have in your State law?

Mr. CLARK. No, sir.

I would say though that in the beginning one of the first meetings of the ECS I was involved in here in Washington at a meeting with Mr. Proffitt from OE and some other people at Brookings Institution.

At least they looked at ours from the very beginning.

Mr. DELLENBACK. Does the model State law require mandatory accreditation or application for accreditation?

Mr. CLARK. It would not be accreditation as such. It would be a regulation which we probably would categorize as an approval. If I may, the three levels are licensure, approval, and accreditation; licensure and approval being relatively simple things.

A license can be nothing more than going into the Secretary of State's office and paying $15. Approval connotes a little higher kind of look at the institution. Of course, the accreditation is supposed to be the optimum, which is a peer evaluation.

But, you see, we use the term "accredit." If you can give me a better term in the State, I will use it, but we actually do the same thing as any recognized accrediting body does.

Our teams go there from 3 to 5 days. The teams are made up of from two to six individuals. We have a team chairman who reports. We have a recurrence in looking at the institution, plus the fact that the important thing, which I think the Congress is aware of and should remember, we are there all the time.

We do not look at them today and come back 4 years later having not looked at them in between.

Mr. DELLENBACK. Compared to your situation, however, from what you said, most of the States just aren't in the same ball park.

Mr. CLARK. No, they are not, but the States of Ohio, Michigan, Wisconsin, Minnesota, Illinois do exceptionally good jobs—Arizona. There isn't that much difference. The difference is we do have the felony.

Some of the other States would love to have it. I was in the attorney general's office in Frankfurt, Ky., last week. They would give anything to have a felony. Ohio does an exceptionally good job. Michigan does a good job.

Mr. Dellenback. But their "teeth" in their laws are not sharp as you would like?

Mr. Clark. Most of them have misdemeanors and they can't even do that.

Mr. Dellenback. Under the model State law that you indicate some States have adopted, is the middle classification the one that is specified—not licensure but approval, as you refer to it?

Mr. Clark. Yes, sir. The ECS would be an approval. It would be a little higher than what is normally done but it would be not as high as what we do in Indiana. It has in it the ability for the State to decide whether or not it wishes to have a felony or a misdemeanor.

Mr. Dellenback. But, in addition to the sanction provisions of a felony or a misdemeanor, I am interested in understanding what happens if an institution doesn't measure up.

Under the model State law, if an institution that wanted to be involved in that State wasn't able to qualify for approval, would it be forbidden to do business?

Mr. Clark. I believe yes, without looking at the legislation. There would be that provision. If they didn't measure up they couldn't do business.

Mr. Dellenback. But the hurdle is not a particularly high one compared to the Indiana law.

Mr. Clark. I wouldn't think so. It is very hard to make a proper determination unless you are there on-site, talking to the students and faculty and looking at the finances. I think that the basis of ECS, in all fairness, is it is a beginning and therefore it is up to the State to adjust in terms of what has happened in that State to either strengthen or accept as written the model ECS.

In Indiana we spent some 8 years in perfecting our law. Our law has been used now as a basis for some of the other States to look at. But we do have some things in our law in Indiana which make it very, very good, if I may say so myself.

It has, in the last couple of years, this accrediting process, shown marked results in the attitude within our State of business and industry, education consultants, counsellors, school principals, and the general public.

And the fact that we have broken two rather large frauds in Indiana I think make the citizenry aware of the fact that the State is, in fact, trying to protect them. But, by the same token, sir, we do all that we can do to enhance the proprietary school because we have within our State, as in all States, some premier institutions who, for many years, have done outstanding jobs in teaching the young people.

Mr. Dellenback. How about the intertie between what your State does and the three other accreditation or approval processes I can think of: (1) regional organization of some sort or another; (2) some special national associations like NATS or the like; and (3) the kind of thing to which Dr. Muirhead was testifying to earlier where the question is do you qualify for Federal participation in a program?

Do all schools which do business in Indiana and which meet the stringent requirements of your law automatically qualify under the Federal program?

Mr. Clark. No, sir, they do not. The only way is a school that is accredited by a State agency who undergoes a very in-depth tough kind of evaluation. The only way they can become able to get the money is to become accredited nationally.

We have a school in our State that is a premier school that does not want to become accredited but they would like to have veterans come in there and they would like to have a guaranteed student loan program, but they do not want accreditation per se because they feel it won't do them any good.

Mr. Dellenback. Accreditation from any other source?

Mr. Clark. Yes.

Mr. Dellenback. In other words, you must qualify under the Indiana law? What you are saying is this particular school doesn't want to do whatever else the Federal Government requires and it doesn't want to do whatever else a national association requires. Is this what you are saying?

Mr. Clark. This is what I am saying, the point being what the schools do should qualify them. We do not, in Indiana, want to become a national accrediting body. Our constituency is Indiana and any young person from other States who comes into our State to take education. Our constituency is also the good private schools.

It is unfortunate if we would be forced as a State to seek from OE national accreditation in order to make it worthwhile for the schools to get Federal moneys. So, as a suggestion to you I am saying there should be some kind of a joint venture between the States and the Federal Government so that part of the requirement can be met by the States without the State having to become a national accrediting body.

If that happened and we had 50 accrediting bodies we would have all kinds of problems.

Mr. Dellenback. I think this matter of intertie is an important one. I personally happen to favor the deep involvement of States. I don't want to see the Federal Government doing the whole thing as I don't think it will do it well.

I think the very kind of complexity that you heard referred to by the prior witnesses, when we talked about the 1972 law and the terrible difficulty of trying to reach the lowest common denominator on a Federal level, just illustrates how difficult it is to run this kind of a show from Washington.

I want to see some intertie—some interworking—of the kind you are talking about. I am not quite sure how best we achieve this. What about in addition to the kind of law that Indiana has, and I now take that as one of the top ones, what if we also consider in this situation where NATTS is going to be involved and the Veterans' Administration is going to be involved, and the role of the regional association in the area? We look to the Federal involvement and say unless you somehow are on that list of approved institutions or agencies you can't qualify.

Assume Indiana is not on that list of agencies that the Federal Government says can qualify for Federal participation?

Mr. Clark. No, sir, we aren't.

Mr. DELLENBACK. Therefore we have a different kind of involvement with them. You also, in the Federal Government, might look to something like NATTS—the National Association of Trade and Technical Schools—to qualify and to accredit.

If NATTS should move into Indiana and look at a given institution and say, "This qualifies; we accredit this," it could go on the list that would participate under the Federal programs. But, if it didn't get the approval, then they wouldn't do business in Indiana.

Mr. CLARK. Yes.

Mr. DELLENBACK. So we would have at least a double overlap. We have Indiana's requirements and we have some additional requirements which lead to the third one, which is the Federal approval.

Mr. CLARK. Perhaps, Mr. Congressman, the State has the right to protect its citizens, so it is important that the schools be right with the State, whereas, the NATTS accreditation is a peer evaluation of a different kind.

Perhaps we can work this out. First we do it for the States. Whatever we do there, if we do it strong, it would be a good basis for what you are looking for.

I brought this to leave with you. This is our intermediate report which might fill you in on some of the things we have done and give you a better idea.

Mr. DELLENBACK. We appreciate receiving that very much. We are grateful for your testimony. I think you have given us some valuable insights. We very much appreciate your being with us this morning.

Mr. BRADEMAS. Thank you very much, Mr. Clark.

Coming from Indiana I am, of course, especially pleased to see you here and regret I was not able to be here for your entire statement. I just have one question to put to you.

To what extent do the schools with which you work communicate with institutions of learning in Indiana that are in the nonproprietary sector of education, particularly about student assistance and accreditation problems?

Mr. CLARK. You are speaking now of proprietary schools talking with the State-supported institutions?

Mr. BRADEMAS. I am talking of State-supported institutions of this kind for starters.

Mr. CLARK. It varies in the State. We have some programs where proprietary schools have transfer-credit programs with other institutions within our State. There are some very good one-on-one relationships.

There is work being done between State associations and advisory groups, Mr. Brademas, to get a better kind of rapport established between the institutions and, as you recall, this Project 21 that we had recently in the State did a great deal to bring together the various segments of education and to establish better dialogue.

Mr. BRADEMAS. One other question on which, because I came in late, you may have answered earlier. It has to do with your attitude toward requirements of the Federal Government that schools like the ones you represent be accredited in order for the students to qualify for Federal student-assistance programs.

You were, I thought, indicating that a number of your schools are not appropriately accredited in that respect. Am I correct in my first two sentences?

Mr. CLARK. That is true.

Mr. BRADEMAS. What is it you are proposing? Are you saying you want, to put the matter bluntly, some kind of way that would allow your students to participate though the institution is not accredited? What is it you are saying?

Mr. CLARK. I am saying that the State of Indiana has one of the strongest functions in the country. This has been acknowledged by others, not just myself. The kind of accrediting process that we put the schools through is very detailed and very in depth.

I think it would be most appropriate if once a school having gone through what our State does could qualify for Federal funds without the State of Indiana becoming recognized as a national accrediting body.

Somehow we must set in here dual responsibilities so that perhaps to become an eligible receiver, a student going to an institution, perhaps it will take a status such as we give a school by our State plus a status by an accrediting body.

I do not think that accreditation per se is the only way to look at an institution's eligibility.

Mr. BRADEMAS. I hear you saying that we ought to get back to the pre-Civil War period and leave matters wherein if a State says you are right it doesn't make any difference whether the national Government agrees.

Would not the policy you are suggesting mean that in one State you could have lower standards than in an adjoining State and the students in one State would be attending an institution and participating in Federal student-assistance programs at an institution which was subjected to lower standards of quality than would be the case in the other State?

Mr. CLARK. First of all, I say that does exist right now. Secondly, I would say, no, I wouldn't go back that far. What I said this morning before you were here, which might answer part of your concern, is we believe in our State and in the national association that I represent in what we call our "triangle assistance."

That is, the States do what they can do, the peer associations do what they can do, and the Federal Government does what it can do, so that each, working together, can see to it that the kinds of abuses we now have and problems can, hopefully, be eradicated.

I think it would be incumbent upon Congress to more or less go to these States in some fashion or make a regulation that would kind of push the States to increase so that we would not have a high State and a low State, and a high State and a medium State, so that somehow or another we could unite the States in an almost standard kind of regulatory process.

It could be of invaluable assistance because, as we know now, sir, accreditation itself does not provide necessarily the one thing you are after, and that is accountability, and we must make the institutions accountable.

Mr. BRADEMAS. But you are not then suggesting, or are you—I am not clear on this. I think what you just suggested makes a lot of sense. Are you suggesting that in the final analysis each State ought to be judged in respect of accreditation of the institutions within that State, at least so far as the eligibility of students for participation in Federal assistance is concerned?

Mr. CLARK. I think the States should have a great deal in this decision as to whether or not an institution is viable and therefore should qualify. How this is done would have to be worked out jointly, I think, between standards which would be worked out by you and correspondingly, new kinds of standards in the States.

As you know, the model ECS legislation which was introduced was supposedly to bring about a standardization so that all State laws are about the same. Obviously, we cannot do it until all the State laws have the same kind of teeth in them.

Mr. BRADEMAS. I must tell you in all candor I don't understand what you are trying to tell me. My question is this, put in the most simple English possible: Do you believe that at least with respect to qualification of students at schools of the kind you represent for participation in Federal student-assistance programs, that approval by the State, accreditation by the State suffices?

Mr. CLARK. I would say, yes, if the State has the right kind of laws. You must standardize——

Mr. BRADEMAS. You should be a candidate for Congress. What do you mean, if the State has the right kind of laws? It is the whole point of the discussion, Mr. Clark. I am not trying to badger you.

Mr. CLARK. I know what you are saying. First of all, in the simplest terms, the Government should butt out. I think the States should have the responsibility of regulating these schools within their States, but in order to do that we must have a standardization so that each State has the same kind of requirements.

Somehow or another we must do away with the difference which have extremely strong laws and States which have no laws. That would have to be reached by a joint working in this triangle of assistance.

We would have to draw from the people, the Congress, and the people from the accrediting bodies and people from other States to sit down and develop the kind of model law which could be pushed for acceptance in each State.

If that happened and we had the standardization of the kind of regulations necessary, then the States could be the ones to say that this or this school should or should not, based on the evaluation of that State.

Mr. BRADEMAS. In other words, are you saying that we ought to have a minimum, a floor of standards which every State must require in terms of accrediting its institutions?

Mr. CLARK. Correct.

Mr. BRADEMAS. That relieves me because the concern of some of us, at least my concern, is that if you did not have such a floor then you could have a pattern in the country of 50 States wherein some States did not require standards of sufficient quality to prevent fly-by-night institutions from bilking the Federal taxpayer in terms of student assistance programs.

Mr. **Clark**. We do not want that.

Mr. **Brademas**. That is very helpful. I think I am clear on your position and I thank you for a very useful statement.

Mr. **O'Hara**. Thank you very much.

Thank you very much, Mr. Clark, for appearing before us. We would like to stay in touch with your association and with you, as the president of the association, as I indicated because we are as interested as you are in finding a constructive and helpful role for the States in this whole problem.

We think the States can make a contribution and we want to see to it that they do.

Without objection, the materials you have suppiied will be included in the record of these hearings.

The subcommittee will now stand in adjournment until tomorrow morning, when we continue our hearings on this general subject of accreditation and institutional eligibility. We will meet at 10 o'clock in room 2261.

[Whereupon, at 11:17 a.m. the subcommittee recessed, to reconvene at 10 a.m. Friday, July 19, 1974.]

FEDERAL HIGHER EDUCATION PROGRAMS
INSTITUTIONAL ELIGIBILITY

FRIDAY, JULY 19, 1974

HOUSE OF REPRESENTATIVES,
SPECIAL SUBCOMMITTEE ON EDUCATION OF THE
COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met at 10 A.M., pursuant to adjournment, in Cannon House Office Building, Hon. James G. O'Hara (chairman of the subcommittee) presiding.

Present: Representatives O'Hara, Quie and Lehman.

Also present: Webb Buell, counsel, Jim Harrison, staff director; Elnora Teets, clerk; Robert Andringa, minority staff director; and John B. Lee, minority research assistant.

Mr. O'HARA. The Special Subcommittee on Education will come to order. Pursuant to our mission of reviewing and perhaps rewriting title IV of the Higher Education Act with respect to student assistance, we have been looking into the question of qualifications of institutions that will be permitted to enroll students receiving Federal assistance. We have, of course, been looking into the accreditation issue in connection with that, and with the general question of how we can assure that those students who are receiving assistance under various Federal programs funded under title IV will be protected in that they will be protected in terms of the kinds of education and training they receive, in terms of the financial responsibilities of the institutions they attend.

We had witnesses yesterday on this subject. Today we are looking forward to hearing from others who will give us the benefit of their views on entire problem.

Our first witness today will be Mr. Richard Fulton who is the executive director and general counsel of the Association of Independent Colleges and Schools. As I understand, Mr. Fulton is accompanied by Mr. Dana R. Hart, who is executive secretary of the Accrediting Commission of the Association of Independent Colleges and Schools.

Gentlemen, please take your places at the witness table and let us have the benefit of your experience in these matters.

Mr. LEHMAN. Mr. Chairman, I was hoping to be here today at these meetings, but I have an appointment over at the Senate Office Building. I will try to get back from there as quickly as I can. If you will pardon me, I will try to be back to hear the summation of your testimony.

Mr. O'HARA. The chairman thanks the gentleman from Florida who made a special effort to be here.

Mr. FULTON. Thank you, Mr. Chairman. For the completeness of the record, I wonder if I might file a formal statement and then attempt to summarize it in preparation for questions by the members.

Mr. O'Hara. Mr. Fulton, without objection, your full statement will be entered in the record.

[The statement referred to follows:]

Joint Statement of Richard A. Fulton, Executive Director and General Counsel, Association of Independent Colleges and Schools, Washington, D.C.; and Dana R. Hart, Executive Secretary, the Accrediting Commission, Association of Independent Colleges and Schools, Washington, D.C.

Mr. Chairman, and the members of the Subcommittee: My colleague Mr. Dana R. Hart and I wish to acknowledge the serious responsibility accorded to us by you in responding to your invitation to give testimony to the committee "with regard to institutional eligibility for participation in student financial aid programs, generally."

Briefly, by way of background, I am Richard A. Fulton, Executive Director and General Counsel of the Association of Independent Colleges and Schools (AICS). Mr. Dana R. Hart is the Executive Secretary of the Accrediting Commission of AICS which, under our corporate charter and Bylaws and The Criteria of the U.S. Office of Education, is the body endowed with independence of judgment with regard to accreditation of institutions within our scope of authority. Incidentally, I might underscore the fact that while the bulk of our membership is institutions which are proprietary in form, we are not the Accrediting Commission for proprietary schools, rather we are the Accrediting Commission for institutions other than public tax-consuming institutions, both proprietary and non-profit, which offer programs of education in business and business-related programs, both at the collegiate level and at the post-high school level. Further, several members of AICS are accredited by regional accrediting agencies.

Of the some 500 institutions holding membership in AICS, the bulk of these institutions is proprietary in their form of governance. Some people would call them "profit making institutions" others might refer to them as "tax-paying institutions" rather than tax-consuming or tax-avoiding institutions. About 15% of the institutions are tax exempt or, in the layman's term, "non-profit" institutions. Some of these are church-related, such as LDS Business College in Salt Lake City, Utah, or the Aquinas Junior College in Milton, Massachusetts.

Although many people are prone to classify proprietary education as a level of complexity or a particular program of study, it is our position that proprietary is merely indicative of one of the three forms of institutional governance, that is public tax-supported, private, tax-exempt; and proprietary, tax paying institutions. The form of governance is unrelated to whether or not the institution is degree-granting or "collegiate." Within our organization there are proprietary, collegiate, baccalaureate degree-granting institutions such as Stayer College here in the District of Columbia, and tax-exempt 501(c)(3) institutions such as the American Institute of Business in Des Moines, Iowa which is accredited as a business school instead of a collegiate institution. To those who persist in referring to "proprietary and other vocational institutions", we must respond that this has the same logic as those who refer to "nurses and other female health personnel" or "secretaries and other female clerical employees."

Mr. Hart and I respond in our individual capacities. The views and opinions which we present to the Committee are our own and not the policy positions of either AICS or its Accrediting Commission. Nonetheless, we hope that our views may be of utility to the Subcommittee with regard to institutional eligibility or participation in student financial aid programs.

ACCREDITATION IS ONLY AN ELEMENT OF ELIGIBILITY

Most respectfully we draw attention to the second paragraph of the Chairman's letter of invitation of July 8, 1974. The statement therein is most helpful in setting the stage to express our views and why we feel it to be of great importance that in discussing terms such as accreditation and eligibility, great precision should be observed. For example, the invitation states "accreditation is one device currently used to determine eligibility." We suggest that a review of the statutory definitions of eligibility for purposes of U.S.O.E. administered programs of student financial aid as contained in Sections 435(b)(2) or Section 435(c)(2) or Section 1201(a)(2) or Section 419(b). All define eligibility as a bundle of elements, *only one of which is accreditation.* Unfortunately many people, in our opinion, tend to equate accreditation with eligibility. This, for example, ignores the essential and vital role and responsibility of state government as a co-equal, but independent element in that bundle all of which go together to make "eligibility."

In other words, we think Congress, in enacting these various sections of the Higher Education Act defining "eligibility" or allied terms, made it abundantly clear that accreditation was only one of several elements. Whether or not in the *administration* of the law equal concern for the responsibility of the state has been observed is, I suppose, a matter of judgment and observation. We wish to clearly establish our respect for the responsibilities of the states and to acknowledge the important role that has been played by imaginative and innovating administrators in some of the states. We wish such an attitude could be found in all fifty states, but such has not been the case.

THE MONDALE EXEMPTION

Just as some states have been reluctant to accept their respective responsibilities, so too the same can be said for some accrediting agencies. The denial of access to public area vocational schools to accreditation fully justified the exemption from accreditation achieved by an amendment to the Higher Education Act in 1972 by the distinguished Senator from Minnesota, Walter W. Mondale, which can be found in Section 4388(b). Unfortunately, there is a great deal of confusion and misunderstanding about the Mondale exemption; what it does and what it does not do.

The Mondale exemption is just that; it exempts a certain class of schools from the requirement of being accredited because those schools had no access to accreditation. It does not, in our opinion, exempt any class of schools from the authority of the state government from which the institution pursuant to Section 435(b)(2) or 435(c)(2) or Section 1201(a)(2) which states that the institution "is legally authorized within such state to provide a program of education beyond secondary education." We presently think there is ample authority for the administrators of these programs of student financial aid to require as a condition of "eligibility" of an institution to have two concurrent but independent judgments; one from the states and one from the accrediting agencies. Lacking either, an institution does not satisfy the definition of eligibility.

However, if the administrators of the program feel that the statutory language cited gives them insufficient authority, then we most vigorously suggest that the solutions by which the authority of the state to oversee and supervise in their capacity to regulate and license educational institutions both proprietary and tax-exempt, should be enhanced, embellished and reinforced, by additional language to Sections 435, 1201, and 491.

To further expand the Mondale exemption of 438(b) to include private vocational schools as well as public vocational schools would deny the USOE and the Congress the benefits of the system of dual, concurrent and independent judgments, indeed it would repose entirely the decision for eligibility solely in the hands of the State Agencies.

It may be the judgment of this Subcommittee that accreditation itself should be eliminated as one of the elements of eligibility. We suggest that that is a separate issue from what we perceive to be the need for a continuation of the system of two separate, but concurrent, independent judgments.

NECESSITY FOR TWO CONCURRENT BUT INDEPENDENT JUDGMENTS

Although we have only limited access to information or statistical data concerning the problems in the administration of the Guaranteed Student Loan Program, we do suggest that a qualitative analysis on a state by state basis indicates the efficacy of having this dual judgment system. With regard to proprietary schools, where either element has been lacking, there have been more serious problems. We repeat, where *either* element (state authority or accreditation) has been lacking, there have been problems.

BEST COPY AVAILABLE

We believe that the USOE can confirm the following analysis with their data. For example, in New York and in California, proprietary institutions with a student population manifesting a high default ratio under the Guaranteed Student Loan Program, had a number of "eligible institutions" which, while licensed or regulated under well-administered state laws, were institutions that were *excepted* from the accreditation requirement, because at the time the institutions allegedly had no access to an accrediting agency. Conversely, there have been a number of examples of institutions in such states as Texas, Louisiana, Mississippi, Georgia, and Alabama, which although the institutions were accredited, there was no state law authorizing the institutions to offer the program of education. Here again were institutions having student bodies with extremely unfavorable default ratios under the Guaranteed Student Loan Program. We suggest this supports our argument in favor of the necessity for state regulation as well as some other independent judgment. Currently, that judgment under the statutes has been by the accrediting agencies. There is of course the three letters of transfer Rule which is applicable only to public and tax-exempt colleges. It may be appropriate to establish some alternative to accreditation but if that is the decision of the Subcommittee, we urge that it clearly be that and no more. The system of two concurrent but independent judgments should be preserved.

ACCREDITATION AS IT IS PRESENTLY PRACTICED

My colleague Mr. Hart, Executive Secretary of the AICS Accrediting Commission stands ready to particular questions that members and staff of the Subcommittee may have with regard to our accreditation procedures. In summary, those procedures have been published and are available to the public, pursuant to the Criteria issued by the Commissioner of the USOE. They have been periodically reviewed by the USOE and the Commissioner's Advisory Committee on Accreditation. We have been informed by the Commissioner that they are in conformity with the Criteria as they previously existed, and we look forward to having them measured by the newly established Criteria which were only recently published governing the recognition of Accrediting Agencies.

The Accrediting Commission for AICS was established in 1952. In 1956 it was designated by the Commissioner of the USOE as a "nationally recognized accrediting agency" pursuant to PL 82–550 in subsequent legislation. From its outset, the judgmental body, and by that I mean the commissioners themselves and not the staff, has included "public members."

One of the criticisms leveled against accreditation by critics is the allegation that such a body is self-serving and self-accrediting. Although the older and more established accrediting agencies are in the process of flirting with the idea of non-peer members of an accrediting commission, we have more than twenty years of successful experience with outsiders serving in an equal judgmental capacity. Another innovation of our Accrediting Commission is the adoption of a policy of proration of refunds when students withdraw from school. The minimum standards of the formula are explicitly set forth in this *Supplement to the Criteria.*

The problem of refund is often discussed as only one involving proprietary institutions. Actually, there are many non-proprietary colleges and universities that have very simple refund policies. Those policies are of "no refunds." While our policy may not be perfect, and our suggested minimum formula may be subject to disputation, at least we have adopted both a policy and a formula, which is more than can be said for the so-called "traditional" educational community.

Accreditation is a complex mosaic of continuing judgments and relationships. It is not a "hallmark" stamped upon an institution for all time. It is a privately administered system of privately adopted standards and procedures. There are well-intentioned persons who in their endeavor to achieve worthwhile purposes would preserve the form of accreditation while denying its substance and dynamism. Such an example is H.R. 11927 introduced by Representatives Bell and Pettis. This is a well motivated measure which in our opinion uses the wrong agency at the wrong point in time to find out things which either the state or federal government probably should rightly know if it is to continue to fund programs of student financial aid. Most of the very worthwhile suggestions that H.R. 11927 would insert into the criteria of an accrediting agency, more properly are a function of either state licensure of institutions or the federal program post-audit authority of 438(a). Our position is that if the Congress wishes to continue to utilize accreditation as one of the elements of eligibility, then let it remain accreditation. Of course refunds and advertising are already a part of our Criteria.

Implementation of program post-audit authority requires a candid recognition of the function of a particular program. We suggest that there is a general lack of candor in identifying the purposes of the several programs of student financial aid, which in our opinion, are not all identical in thrust or support. Title IV contains a number of programs generically styled as student aid. However, there are programs in which the institution is but an incident of the student's discretion such as the BOG or the GSL. On the other hand, there are programs such as the NDSL, CWS, and SEOG in which the student is but an incident of the institution's discretion to dispense its government subsidized largess. Further, there are programs of obscure intent such as the State Scholar Incentive Grants which, while democratically administered in some states to provide assistance to all students to attend any institution meeting the definition of eligibility under Title IV of the Higher Education Act, offers the possibility that in one or more states they may be used in a particular state to preserve some sort of elitism or perpetuate little enclaves of privilege. Then there are the Veterans Cost of Instruction Grants as well as the other institutional increments authorized by Title IV. Supposedly, these are payed by the Federal Government to the institution because of the institution's estimated increased cost of instruction by obligating itself to enroll certain classes of students who allegedly would cost more to educate than others. Certainly if these payments are justified, they should be dominated for what they are and their cost effectiveness should be established on a post-audit basis. These should be payments under a contract.

The principle for such a post-audit system was established in 1972, when Congress amended the Guaranteed Student Loan Program to provide the USOE with authority pursuant to Section 438(a) to fiscally audit an institution, to establish standards of administrative capability, and to suspend, condition, or terminate the eligibility of an otherwise eligible institution. It is at this point in time, and through such a federal system in conjunction with utilization of state authority, that we feel the intentions of the Bell-Pettis legislation are best implemented.

LOSS OF ELIGIBILITY

Theoretically, the instant that any element of eligibility, be it state authority or private accreditation, ceases to obtain, eligibility should terminate. Additionally, though unimplemented, Congress gave to the Commissioner of the USOE at its request in 1972 the authority to condition, suspend or terminate the eligibility of an otherwise eligible institution. This authority is found in Section 438(a) of Title IV. Hopefully, the regulations implementing this two year old authority will be issued soon. As a legislative recommendation, we would hope that this authority would be expanded to include at least all programs of student financial aid, and not limited merely to that of the Guaranteed Student Loan Program.

Quite reasonably one might ask, if eligibility contains at least two concurrent but independent judgments, one from the state and one generally from the private accrediting agency; if both judgmental bodies are doing their job effectively and responsibly, what need be there for this post-audit authority reposed in the USOE to condition, suspend or terminate the eligibility of an otherwise eligible institution? The answer lies in the fact that neither the state nor the private accrediting agency is the disbursing agent or the administrator of any of the programs of student financial aid under Title IV. Only the USOE has available to it the facts concerning a particular program, whether that program be GSL, BOG, SEOG, CWS, or NDSL. We do not administer the program, and we can only rely upon the facts as disclosed to us by the USOE. For example, during 1973, particularly, there were a number of news stories which attributed just about all of the problems under the Guaranteed Student Loan Program to defaults by students enrolled in proprietary schools. Since we do not administer the program, we have no evidence as to the source of these stories or the authority for such disclosures. Happily, since approximately the first of the year, statistical information has been made available to the public by the Division of Insured Loans of the USOE with regard to defaults under the Guaranteed Student Loan Program. The facts are rather interesting. They have also destroyed some assumptions of those who would criticize education in proprietary institutions.

For example, many people confuse the Federally Insured Student Loan Program (FISL) with the Guaranteed Student Loan Program (GSL). As we know, FISL is but one increment of GSL, the other increment is that which is administered by the State Guarantee Agencies. Statistics released by the Division of Insured Loans show that the total number of loans in default and the total dollar volume of loans in default is greater for the loans administered by the State Guarantee Agency than the total number of loans in default and the total dollar volume of loans in default under FISL. That statistical data, peculiarly within the knowledge of the USOE, must be read with testimony given before this Subcommittee last year by Dr. Donald Payton, then President of the National Council of State Loan Guarantee Agencies. Dr. Payton testified on July 26, 1973 before this Subcommittee (page 100) that only between 5 and 8% of the funds administered by the State Guarantee Agencies go to students in vocational schools. If the funds do not go to students in vocational schools, then obviously they are going to students in the traditional public and private collegiate institutions. One need not belabor the obvious, or quantitate the unnecessary, to conclude on the basis of these two sets of facts, that not all of the problems of defaults under the Guaranteed Student Loan Program can be attributed to students enrolled in proprietary schools, or the decisions of either state regulatory agencies or the private accrediting agencies. These are facts *peculiarly reposed in the USOE* and are appropriate for action by the USOE pursuant to the authority given to the USOE more than two years ago pursuant to Section 438(a). We hope that before too long, the regulations implementing this authority will be announced. We do not seek to abdicate our responsibilities, but rather we seek the necessary support to contribute to the success of the administration of the program.

ACCREDITATION WITHDRAWAL BY AICS

Often, the critics of accrediting agencies equate due process with undue delay. We suggest that the activities of AICS in the fifteen months immediately after the passage of the Education Amendments of 1972, illustrate that an accrediting agency, when provided with definitive data by the USOE, justifying concerns about the GSLP at any particular institution, can act responsibly, with alacrity, and with efficacy. During the period marked by the enactment of the Education Amendments of 1972 in June of that year through September of 1973, accreditation was withdrawn from twenty one institutions by AICS. These were final decisions, with all rights of appeal having been made fully available and publication of the action, including communication to the USOE and concerned state officials. In all but a few schools, these withdrawal actions were related directly to the financial stability of the institution, and the administration of the Guaranteed Student Loan Program. Accreditation has been withdrawn for cause from an additional 16 schools since September of 1973, or a total of 37 in the past two years.

This does not include a number of other institutions which during the same period were issued as *show cause* letters resulting in hearings about that institution's financial stability and its administration of the Guaranteed Student Loan Program. In some cases, initial orders of suspension or revokation were issued, but subsequently vacated, either on appeal or upon showing substantial remediation of the previous situation. In most cases, this has resulted in substantial amounts of refunds of tuition, to either students or lending institutions which has substantially reduced the amount of delinquency or default claims subject to the Federal Insurance of the program.

To accomplish these decisive actions, expeditiously but with full observance of "due process", we found it necessary to amend the Bylaws of the Corporation, provide for the establishment of a Review Board, amend the *Criteria of the Accrediting Commission*, send teams of field auditors to visit the institutions, hold formal hearings before the full commission with an opportunity for the institution to appear, establish a review board, appoint members to serve on it, and to hold timely hearings for the appeals. All of this was accomplished in approximately fifteen months. It began with information about the loan program, brought to our attention by officials of the USOE. We think our activities illustrate that when provided with definitive data, an accrediting agency can respond with alacrity and efficacy to the situation.

Parenthetically, I would note that for our activities during that period, and for those schools from which accreditation was withdrawn, there was no court action brought against us by reason of any claim of lack of due process with the procedures which we instituted and under which the withdrawal was accomplished. Since this initial activity during 1972 and 1973, we have continued to take negative actions resulting in the withdrawal of accreditation from institutions.

SUED—$4.5 MILLION LAWSUIT

As the result of the refusal of AICS to continue the accreditation of five institutions which underwent a change of ownership control in 1973, we have now been subjected to a Temporary Restraining Order by the U.S. District Court in San Antonio, Texas, vacating our judgment of suspension, and reinstating the accreditation of the five institutions. We are also defendants in a damage claim for four and a half million dollars. By reason of the TRO reinstating the accreditation of the five institutions, the USOE has reinstated the eligibility of the institutions. The present status of the suit is that trial on the preliminary injunction has been delayed by stipulation of the parties, and the plaintiff schools have agreed to file the requisite financial statements whereby the Accrediting Commission may have a basis for expressing a judgment on the financial stability of the institutions and the degree to which payment of tuition refunds due students have been made. The defense of this lawsuit has cost our Accrediting Commission thousands of dollars in legal fees, with no expectation of a reimbursement from a private foundation, the USOE or the Congress. Nonetheless, it is our intention to vigorously defend this suit, and to attempt to maintain our published *Criteria* which have had the approval of the USOE. We do look forward to the day that the USOE will have published regulations permitting it to do directly what it is now doing indirectly through our accrediting agency and at our expense.

WHERE DOES THE BUCK STOP?

The determination of eligibility, whether it includes the element of accreditation or some other "council of wise men" requires courage to make decisions and the will to defend those decisions publicly, be it in the courts, in the political arena, or in the news media. Obviously, a private accrediting agency, with limited resources, cannot defend a series of lawsuits without courting bankruptcy. Similarly, however emotionally tinged the efforts of the institution may be, there are times when hard decisions must be made denying accreditation, if accreditation is to be a viable element of eligibility.

The critics of the accrediting agencies claim that the agencies' insistence upon due process necessarily involves "undue delay". It requires more than a modicum of self-discipline to endure the innuendos of the investigative media who somehow feel privileged to have detailed knowledge of the confidential internal procedures which we understand to be an inherent part of due process. However, it is interesting to note that in two situations the media refused to underwrite our possible legal liability in return for public disclosure of our internal procedures which could lead to withdrawal of accreditation.

The cry that the public has a right to know is not unique to accreditation. From international diplomacy, to rule making by the federal regulatory agencies, the reformers have, from time to time demanded "open decisions openly arrived at". Such has even been suggested, and sometimes attempted by the committees of the Congress. We do not have the fiscal resources to pioneer jurisprudence in this area. However, if the Committee feels there is a statutory solution which can conserve the rights of the institution, protect the accrediting agency from legal liability, and yet provide information to the public at some stage earlier in the proceedings than that of a "final decisions", we would welcome such legislation. We do not have the resources to establish it by a litigation.

ALTERNATIVES TO ACCREDITATION OR ADDITIONAL CRITERIA WITH RESPECT TO ELIGIBILITY

Whether or not accreditation should remain as one of the elements of eligibility is a political decision beyond our capability. We do suggest that at all costs the Committee retain the tri-partite system of at least two concurrent, but independent judgments to *establish* eligibility with a *post-audit*, watch-dog authority, reposed in a third body to condition, suspend or terminate the eligibility of an otherwise eligible institution if it is not measuring up to the purposes of these particular programs for which it has been made eligible. We would urge both the implementation of the present authority of the USOE to "de-eligibilize" institutions pursuant to Section 438(a) and expand such authority to embrace at least all programs of student financial aid.

With regard to the necessary element of state authority to an institution to offer a program of education, we suggest that the present language is sufficiently explicit. If further encouragement is necessary to the states to assume their respective responsibilities with regard to the regulation and licensure of all educational institutions, we suggest that it best be accomplished by enhancing and embellishing the language of Section 435(b)(2); Section 435(c)(2); or Section 1201(a)(2). The language of 438(b) is an exemption rather than an authorization.

With all due respect to the sincerity and the dedication of the authors of the second Newman Report, "National Policy and Higher Education," we suggest they too misunderstand that accreditation is only one of the elements of eligibility, rather than the determinant of eligibility (see page 63 and recommendation number 7 at page 108). At the risk of being too charitable, we suggest that the proposal for a "national procedure for determining eligibility based primarily on an institutional disclosure statement" begs the question. The determination of eligibility and its withdrawal, necessitates definitive judgments which do in fact discriminate. The important thing is that the discrimination be solidly founded and not capricious. The vague standard suggested by the well-intentioned authors of the second Newman Report at page 108 ignore the fact that some group of people must make definitive decisions defensible to third parties under our system.

We look forward with interest, to the proposal which we understand will be suggested in Dr. Harold Orlans' final report on "Private Accreditation and Public Eligibility". Although we have seen an advance draft of this report, we are under a stricture not to quote or discuss its content publicly.

We wish to restate our understanding and our position that accreditation is only one of a number of elements of eligibility. Possibly perhaps, within that element of eligibility, the Committee may come up with some alternative such as the three letters of transfer system which is presently utilized as an alternative to accreditation for colleges and universities. Such a proposal in no way diminishes the responsibility of the states to license or regulate or authorize institutions to offer programs of education.

If the Committee entertains fears that accrediting agencies have neither the financial resources nor the will to defend litigation brought against them as the result of denials of accreditation or withdrawals of accreditation, it might wish to consider reposing in some other body, possibly, perhaps, the USOE, a sort of supra-equity power, to permit an institution which claims to have been unfairly denied access to accreditation, or to have been wrongly stripped of accreditation, a means to satisfy the accreditation element by an external decision in lieu of the accreditation which the institution has either lost or been denied. Again, this would not be an alternative to eligibility, but merely an alternative to that element of eligibility which is accreditation, and it would only be available after the institution has either been denied accreditation or has been stripped of it.

While there is a super abundance of the critics of accreditation as an element of eligibility, we suggest there would be a paucity of volunteers to serve on this equity supra-body who would be ready to stand in judgment and personally be responsible for the decisions with regard to institutions which have either been denied accreditation or have been stripped of accreditation. Nontheless, such proposal could relieve accrediting commissions of threats of personal liability and the accrediting agencies of serious legal expenses. It might, but we doubt it, open the door to innovation so dear to the hearts of accreditation's critics.

Whatever alternative may be suggested, we reiterate our suggestion that the Committee maintain the tripartite system of two independent and concurrent judgments leading to eligibility with the post-audit authority of de-eligibilizing when it is evident that an institution lacks the capacity to perform its stated mission within the terms of the particular federal program.

CONCLUSION

No matter how sophisticated new assessment techniques may be, at the bottom line there still remains the fact that some group of persons must make decisions which will contribute to the denial of, the granting of, or the withdrawal of institutional eligibility. We suggest that no one group of people or particular individuals is especially endowed with the capability of always making the correct decision. That is why we have a Review Board. We do suggest that the statutes contemplate a synergistic result in reliance upon state authority, accrediting agencies and the USOE's post-audit authority. Rather than eliminating accreditation as an element of eligibility, we would suggest that if necessary, the authority of the states be enhanced and embellished, and the authority of the USOE be implemented.

We urge that it is inadvisable to establish any single system of controls, be it federal, state or privately administered. We hope that this Subcommittee will not lose sight of the fact that careful consideration is required in defining the appropriate federal role, and the extent of direct government intervention that is permissible and compatible with our traditionally independent, diverse, pluralistic, and autonomous educational system. Whether it be accreditation or some other "national procedure for determining eligibility" which may use "new assessment techniques", we suggest that decision still must be made by fallible men. In substituting one aggregation of fallible men for another, we are reminded of the observation by Milton writing "On the New Forcers of Conscience": "The new presbyter is but an old priest writ large".

JOINT STATEMENT OF RICHARD A. FULTON, EXECUTIVE DIRECTOR AND GENERAL COUNSEL FOR THE ASSOCIATION OF INDEPENDENT COLLEGES AND SCHOOLS, WASHINGTON, D.C., AND DANA R. HART, EXECUTIVE SECRETARY OF THE ACCREDITING COMMISSION, ASSOCIATION OF INDEPENDENT COLLEGES AND SCHOOLS, WASHINGTON, D.C.

Mr. FULTON. Mr. Chairman and members of the subcommittee, we wish to acknowledge the serious responsibility of responding to your invitation to give testimony with regard to institutional eligibility for the participation in student financial aid programs.

By way of background, I am Dick Fulton, executive director of AICS. With me is Mr. Dana Hart who is the administrative officer, executive secretary of the accrediting commission, a body endowed with independence of judgment—not necessarily always wisdom, but at least independence of judgment—with regard to accreditation.

I would add that while the bulk of our membership is institutions which are proprietary in form, we are not the accrediting commission for proprietary schools nor are we the spokesman for the proprietary schools. We are merely the accrediting commission and the association for institutions other than public, tax-consuming institutions which offer programs of education in business and business-related programs.

Incidentally, some of our member institutions also hold either joint accreditation or separate accreditation with one or more of the regional accrediting bodies. There are four such institutions in our association, Lakawanna Junior College, Grahm Junior College, Robert Morris and New Hampshire College of Accounting. About 15-percent of the institutions in our membership are so-called nonprofit institutions.

We would like to emphasize that although there is a tendency to classify proprietary institutions as a level of complexity or a particular program of study, usually vocational education, it is our view that proprietary is merely one of the three forms of institutional governance. That is, tax-supported, tax-exempt or tax-paying institutions.

Mr. Hart and I are here in our individual capacities. We certainly realize that we have some experience in this field. But, our views are those of our own and have not had the benefit of any policy review by either the board of directors or of the accrediting commission. I think it is particularly significant in the invitation to appear that under review is the view that accreditation is one device currently used to determine eligibility.

It is our firm conviction that accreditation, as we appreciate the statutes defining eligibility, is only one of a bundle of elements which comprise eligibility.

We think that it is unfortunate that too many people tend to equate accreditation with eligibility. We suggest that a review of the statutes 435(b)(2), 435(c)(2), section 1201(a)(2) and section 419(b). All possess a coequal responsibility in the State government to assure that the institution has authority and to offer the program of education.

Now, whether or not in the administration of the law over the years there has been a recognition of this responsibility by program administrators or such an assumption in all States, that, of course, is a factual matter of which this committee may wish to examine. One item which has come up for discussion from time to time is the well-founded and fully justified exemptions from accreditation which was accorded public vocational schools in 1972 through an amendment offered by the distinguished Senator from Minnesota, Senator Mondale. At that time, and possibly even today, the north central association would not make available to the public vocational schools of Minnesota an accreditation. Therefore, these schools were precluded from satisfying one of the essential elements of eligibility, and that was accreditation. Therefore, as I view the Mondale exemption, it relieved a class of school from the necessity of being accredited. It said instead, all you need is State authority.

I think this is an exemption that was well founded as an ad hoc solution. But, I think the tendency of some people to claim that the States need additional authority to supervise, regulate, license other institutions or institutions other than a public vocational school is hasty evaluation of the true statutory situation. I maintain, again, that any reading of the statutes plainly requires as a condition to eligibility that the institution must also have authority from the State to offer the program of education.

If you will compare the language of 435(b)(2) with 435(c)(2) you will find there is a difference in the language there. Congress just wasn't reciting another droll, dull litany of responsibilities because with regard to vocational schools there is a specific additional charge that these schools should offer realistic programs to fit individuals for useful employment and that is to be determined by the State.

I say this, that if people feel that the present statutory charge to the State is insufficient, then let us enhance it, let us embellish it, let us enrich it by going to those sections that deal with eligibility rather than dealing with an exception. As I understand the theory of eligibility, it is a tri-partite arrangement, it is a troika, it is a triangle, or what have you, involving two concurrent, independent judgments. One of them is by the State and one of them currently and generally is by the accrediting agencies. Now, there may be some exceptions on that.

Then combined with that is a post-audit, after the fact, authority of the U.S. Office of Education to deeligibilize, to suspend, terminate, condition the eligibility of an institution which they find is not measuring up to the thrust, purpose of design of the program. While hopefully the U.S. Office of Education will some day implement the authority that they have had for some 2 years. Now, whether or not accreditation should remain of one of those two elements to establish eligibility is a policy matter of political decision. We are not here to say we have an inherent right to insist that accreditation be made to do this or that for all time we should.

But, we do urge the committee to maintain some system of twin, independent, concurrent judgments that in a sense, one can keep the other honest. The reason I say that is that I think experience under the guaranteed loan program will illustrate this. I don't have the statistics. The U.S. Office of Education is the only one that has the statistics. But my qualitative analysis is this. That where either element is lacking or deficient, either accreditation or State authority, you have had a significant set of problems under the insured loan program, particularly in proprietary schools.

Let us take California or New York. Now, here are two States with sophisticated State licensing and regulatory authority. Yet, you will find under statistics released by the New York Higher Education Authority—and certainly some of us are familiar with, although AICS didn't accredit this set of trade schools, West Coast Trade Schools had a situation where there were excessive delinquencies and high-default rates. Those schools, although State licensed, were not accredited. They were admitted to eligibility under a temporary exception.

Now, conversely—and I don't want to straddle this at all; I want to forcefully come down on it—you have situations in Texas, Louisiana, Alabama, and Georgia where until recently there was no statutory authority for proprietary schools to offer programs of education. We had a situation in which I think the committee is well aware of where there were serious problems of high-default ratios among students in proprietary schools, which illustrates that it is not any one person's job and not any one person can do the whole task. Where either element is lacking in the establishment of eligibility, I think you will have serious problems.

Now, Mr. Hart is here to talk about the actual accreditation as it is practiced. But, I would like to pass on the fact that our accrediting agency has pioneered at least two things. We have been in business now for over 20 years and while a lot of the more established agencies are flirting with the idea of having public members, we have from our own inception, people making the judgments who are not part of our peer group. It has been a mixture. It has been nonpeers participating in the program.

Similarly, we are one of the accrediting agencies that sets certain minimums of refunds that institutions must make when students leave school. Now I think there is a lot of rhetoric about pro rata and what it means. All I would say at this point is that pro rata is a policy that may be one or more formulas. We have no argument with anyone who is interested in the pro ration of refunds. We may dispute the economic basis for their particular formula, but we hope at least a realistic formula can be achieved to discuss that and have it economically justified.

One misconception is that accreditation is hallmarks, such as it is, stamped on a piece of silver. It is not. It is a mosiac of judgments that measure an institution over a period in time and it is an ongoing relationship. It is not this business of once saved, always saved. You have to stay with it. It is not a simplistic getting of a driver's license. Combined with the establishment of eligibility based upon State authority and accreditation as concurrent independent elements, there is the interesting principle of postaudit review authority by the U.S. Office of Education [USOE].

I hope that this authority of section 438A will be implemented, because when it is, maybe USOE can do directly what it has been doing for some time indirectly through the accrediting agencies. I think it is reasonable to ask that if the States are doing their job and if the accrediting agencies are doing their jobs and both elements are satisfied and operative, have we not the best of all possible worlds? Then, what need be there for postaudit authority of USOE or any disbursing agency, whether it is Social Security, Veterans or so on, to terminate the eligibility of an otherwise eligible institution?

My response to that is that in program administration there are facts about the program which are peculiarly within the knowledge of the particular agency. After all, we don't administer the insured-loan program, we don't administer the VA program. We do suggest, therefore, that when an agency has data or is charged with having data, it should then have the responsibility to act on institutions that were not measuring up to the thrust and responsibilities of the program.

For example, there has been a lot of charges about malefaction among proprietary schools and claims that excessive defaults are their responsibility. Unfortunately, nobody is interested in the facts. For example, under the releases that are now coming out in the last few months from the U.S. Office of Education, Division of Insured Loans, I think you will find by checking Mrs. Hansen's disclosures that the number of defaulted loans and the dollar volume of defaulted loans under the administration of the State guarantee agencies exceed the number of defaulted loans, and the dollar volume of defaulted loans under the FISL increment of the guaranteed student loan program.

Now, if you read that information with the testimony of Dr. Donald Payton who testified last year here on July 26, 1973, when he said that less than 10 percent and probably only 6 to 8 percent of the money under the State guarantee agency goes to vocational students, I don't think it takes a statistician to come to a qualitative analysis that some of those loans must be among what is called higher education. Statistically, it just can't work out under the entire guaranteed student loan program that all the defaults are among proprietary school students.

Now then, we open up an interesting area. There are those who would, say, prove how good you are by telling us how many bandits you have hung recently. Then if we prove that, they say, why did you let them in in the first place?

So, it is a very difficult question to which we have to respond. But we will attempt to. We would say this. I think it is a fair comparative period to take, about the same time that USOE got the deeligibilization authority for which they asked in June of 1972, to examine what has our accrediting agency done in a comparable period? In the first 15 months following, through September of 1973, we revised our bylaws, we established a review board, we rewrote our whole procedures governing negative actions, we sent field audit teams into certain institutions which USOE indicated had problems. We issued show-cause letters, we had hearings, we gave initial judgments. We accorded people with what we understand to be due process. That is, notice, hearing, and an opportunity for 1 more group to say, hey, what did you do, and issued final negative decisions withdrawing for cause the accreditation of 21 institutions in 15 months. Subsequent to that time, we have issued negative decisions for cause on an additional 16 schools, totaling 37.

Now, this has resulted in a number of schools making substantial payments of refunds due. It has also resulted in the second set of efforts to our accrediting commission being made defendant to a $4.5 million lawsuit. Now, there are a lot of critics of accreditation and there is a lot of high-flown theories on establishing new councils of wise men to make decisions about institutions which will determine eligibility and accreditation and things like that.

I would submit to the committee that you know Harry Truman said "The buck stops here." Somebody has got to decide whether they are willing to put their personal fortune on the line and make hard judgments telling somebody we deny your accreditation or we revoke your accreditation and we are prepared to defend that judgment to the Congress, to the press, or to public opinion. It is not easy.

I suggest there is a lot of volunteers who criticize accreditation, but there is a paucity of volunteers who will participate in some alternative system where they might be personally liable for such a negative judgment. We do not expect the Congress to reimburse us for the thousands of dollars of legal fees that we have already expended. But we suggest that if you feel that the public has a right to know what is going on internally about an accrediting agency prior to what we would call a final decision then some sort of an appellate process has been exhausted, I suppose it will take some sort of statutory exemption to say, for example, go public, when there has been an initial negative decision, but which is subject to review.

I don't have a ready answer, but I think this will take analysis by legal scholars. But I can tell you this, it is not easy to endure the harrassment and innuendo of the press when they are seeking to find out what is going on about an institution before you are prepared to go public.

I would add this. That in two instances I have suggested to the press that if they would be glad to pledge the assets of their respective newspaper empires, to underwrite our potential legal liability for premature disclosure and to make public the privacy of our procedures, we will consider such disclosure. They have not accepted that offer. But you know it is another one of those cases, put your money where your mouth is.

There are those who would establish alternatives to accreditation. Sometimes they are saying alternatives to eligibility. All I would say again is that if the committee concludes that accreditation is not the vehicle, excise it. But unless the committee preserves a system of two concurrent independent judgments to establish eligibility, you open the door to a one-judgment system where nobody is checking on the other. For example, if you want to turn over the determination of eligibility of proprietary schools solely to the State agencies, you would open the door in some cases to one-man judgment which would permit the possible participation of some 10,000 proprietary schools. At least according to the FTC, there are 10,000 proprietary schools. We only speak for less than 500. I suspect the educational establishment just isn't ready to accept an open-ended participation by all schools.

With regard to the well-intentioned suggestions of the people who participated in the Newman report—I realize that one of them is present today—I really suggest that you read the recommendation, No. 7, at page 108 of the second Newman report. It really begs the question. There is always talk about let's have new procedures to do something, but it doesn't say how. As far as Dr. Orlans' report, "Private Accreditation and Public Eligibility," I am under a stricture not to discuss its contents, and therefore I can only say I wait with interest when he goes public with it.

I hope that his analysis of public eligibility is there, too, in addition to whatever voyeuristic trips he has taken on private accreditation. There may be the necessity within the element of eligibility that is accreditation to establish some alternative to that element known as accreditation. It may be that this committee may want to establish some sort of Supra Equity Board where an institution either having been denied accreditation or having been stripped of it could then go and say, you know, this is a bum rap. We should be eligible. Maybe this additional council of wise men can see the wisdom in it.

But this would not be an alternative to eligibility. It would be an alternative to but one of the elements of eligibility and would preserve the dual concurrent responsibility of establishing eligibility. As I have said before, there are an abundance of critics of accreditation, but I suggest there would be a paucity of volunteers who are willing to serve and put their personal fortunes on the line and subject their property to litigation and lawsuits.

I think that for the concept of eligibility I think the Congress had in mind a sort of synergistic result of State authority, with accreditation and USOE postaudit authority. I am concerned that as accrediting agencies continue to respond to statutory needs, there can be a possible incompatability with the traditional independent diverse pluralistic and autonomous elements of our education system. But if determinations are to be made rather than open entitlements without the accountability, those decisions can't be made by computers. They have to be made by fallible men and whatever new bodies of judgment somebody would propose, I would just say again in the words of Milton who said, "The new presbyter is but an old priest writ large."

If you have any questions for me or my colleague, Mr. Hart, we will do our best to respond.

Mr. O'Hara. Thank you very much, Mr. Fulton. We would like to ask some questions. We think that you gentlemen are uniquely qualified to give us some notion of the kinds of problems that are sometimes encountered in connection with the accreditation of proprietary schools. You have indeed been active in the field of withdrawal of accreditation. You cited some figures in here that show that over the last several years from June 2 to September of 1973, accreditation was withdrawn from 21 institutions and an additional 16 schools since September of 1973, for a total of 37 in the past 2 years. You mentioned that most of those involve the administration of the guaranteed loan program and financial responsibility.

Mr. Fulton. That is correct, sir.

Mr. O'Hara. What sort of standards do you apply in those two areas, taking them one at a time, and what kinds of problems did you encounter for these particular schools from which you withdrew accreditation?

Mr. Hart. May I hear that again?

Mr. O'Hara. What standards do you apply in connection with the guaranteed student loan, and in connection with the financial responsibility of the institution, and what sort of problems did you encounter in these 37 schools?

Mr. Hart. I believe that the 37 schools would have been withdrawn for various reasons, although it probably could be said that the majority of them were for reasons of either financial instability of the institution itself, or problems with the guaranteed loan program, or failure to make adequate refunds timely and promptly.

Mr. O'Hara. You have some criteria of the accreditation commission. What sort of criteria do you use for financial stability?

Mr. Fulton. That an institution should have sufficient resources to carry out the promises it has made to the people it has enrolled.

Mr. O'Hara. Do your criteria set forth any rule of thumb or any formula by which that determination is to be made?

Mr. Hart. There is none, and there are no quantitative factors in the criteria.

Mr. O'Hara. Do you try to make an independent judgment based on the particular situation of each case?

Mr. **Hart**. That is true.

Mr. **Fulton**. We are fearful of getting into a numbers game which people can either hide behind or utilize to the disadvantage of the program. One of the inherent problems with regard to proprietary schools and the guaranteed loan program is that they came into students' financial aid by the back door, i.e., students in the proprietary schools.

As you remember, the insured loan program was the first program to which students in proprietary schools had open access to USOE-administered programs. They always had access to the other programs, but the insured loan program was passed in 1965. There were two programs. One was the higher education loan program which, in my opinion, was passed as political answer to what appeared to be the possibility of the Ribicoff-Dominick tax credit for tuition. It was sold as loans of convenience for middle-class students. But as a footnote with little notice, the national vocational student loan program was passed, which gave proprietary school students access to a U.S. Office of Education administered program for the first time.

Generally speaking, these students, according to Dr. Hoyt who is now over at the U.S. Office of Education, come from a lower socioeconomic strata. Now, these were loans of need to these students. This was the only program to which they had access, and this was the only program that the schools began to administer. So, they didn't come into the program in the normal sequence of the rest of the higher educational programs, the NDEA in 1958 and then the college work student and supplemental opportunity grants [SOG] in the normal progression. Now, the NDEA, as I understand the statistics, that may not be in such good shape either. But they had their inception in 1965 and they came in the backdoor and the schools and the students relied, in our opinion sometimes to heavily, only on these programs.

I think we have now seen the watershed. I think that by reason of our action over the past 2 years, we have pretty well gotten a fix on the problem. I don't think that any set of rules or laws are going to preclude new problems. Like new speeding laws don't preclude speeders. But I do think everybody is pretty well apprised that you better get your student aid programs in balance. You better get an administrator and you better work on the basic opportunity grants [BOG], supplemental educational opportunity grants [SEOG], and college work student and get a better package.

One of the problems that I think is really over with is how we dealt with what we call a change in ownership control, which is one of the elements of an institution. Frankly, we were pioneering new ground. We had not dealt with this in detail. Accreditation didn't start out as an expeditious process. Although Dr. Orlans thinks an agency takes a year or two to act, I think we can show we have taken far less time. But originally, we had a concept that we had to go and take accreditation away with show cause and evidence when an institution changed ownership control.

As a result of our experience, we rewrote our criteria to the point that when there is a change in ownership control of an institution without any decision on our part, because it was not our decision to change the ownership control, there is an automatic self-executing, absolute discontinuation of accreditation, with which we don't have to do anything. The burden is on the institution to come forward, and the burden of proof is on them to come to us and say, "here we are, there has been a change in ownership control and here is a certified balance sheet. Will you reinstate our accreditation?"

While this isn't a panacea, I think Mr. Hart will agree that it is more than a Muirhead large step. That is one of Mr. Muirhead's favorite expressions. This has truly been a giant step. It has truly, I think, almost all but completely removed the possibility of trafficking in accreditation. I think it has made people seriously realize what is involved in administering our standards. It always leads for some heart-tugging decisions about institutions, one of which we are faced with right now. The institution is in Ohio, Whiting College, which has undergone some serious difficulties. There is now a change of ownership and what appears to be a set of new trustees that in consultation with the Office of Education and in trying to keep in touch with us are making every effort to supply us with audited financial statements so we can make a judgment. We hope we can come up with a solution that will help the institution continue its responsibilities to the public and the students.

But again, you have to make definitive judgments. It isn't easy. We think the biggest achievement we have done is to change of ownership control concept and throw the burden to the institution. The second one is that we hope someday the OE will do directly what they should do rather asking us to do it indirectly by giving us data on these institutions and telling us to go look at the institutions, which we have done. Because after all it is sort of an offer we can't afford to turn down.

Mr. O'Hara. Financial stability has been one of the real problems in this area. How frequently do you go back and check? In other words, let's say there is no change in ownership or control. When you went out and accredited a particular school, its financial stability picture was good and its programs were good and its facilities were adequate and so forth. Refund policies were at least as good as the minimum required, and so you accredited it.

How frequently do you review those applications? Do you review the financial and academic conditions?

Mr. Hart. We require an annual report from the institutions in which the financial information is included as well as the academic information. Each of these items is reviewed each year. Additionally, we reaccredit on a 6-year basis. They are responsible for filing with us each year their financial statements including a balance sheet and profit-and-loss statement.

Mr. Fulton. But I think this does bring into play in this area, particularly the control and responsibilities of the State for license and regulation of institutions. After all, accreditation under the statutes started off as certifying the quality of education. That is what the law says. I think that is within the police and public welfare power of the States to begin from the approach, does the institution comply with the health laws, are there enough windows, does it have enough money.

Mr. O'Hara. I think so, too. I think accreditation is being called on really to do more than it was ever really designed to do. My notion of accreditation is scholastic accreditation. Is the institution providing a level of education that is commensurate with the standards of the accrediting agency? Does it have enough faculty, is its student-faculty ratio good enough, does it have a good library, does it have adequate teaching facilities and so forth and so on?

It seems to me that accreditation, really the financial policies of the institutions, are somewhat different. That is why I am thinking we may need a dual system. You say it is up to the States to do it. We had a gentleman in yesterday who was president of the National Association of State Administrators and Supervisors of Private Schools. We asked him the number of States that met or exceeded the standards set in the State commissions model statute. I think he said seven.

Mr. Fulton. He is a better judge than I am. But it is the old story if there is no one else to do it we either unwittingly walked in to fill a void or it wouldn't have been done at all. You are right, it should be done. One wonders why didn't somebody who is in the business of determining eligibility ask and say, well, where is your State authority?

Mr. O'Hara. It seems to me that we are going to have to call upon the accrediting institutions to do their job, and then the Federal Government directly, or wherever possible, through the State, is going to have to look into the rest of this.

Mr. Hart. I have one point, and it concerns the financial stability or financial status of an institution. I would not like for you to go away thinking that we totally agree with the concept that we should not be interested in financial stability, because I think that permeates all these other factors which you enumerate. So I think the accrediting agencies must also assure themselves that the institution is a viable institution and will provide continuity of service.

Mr. O'Hara. In other words, you are suggesting that you continue to make those kinds of determinations, but that the State or Federal agency also be involved in making such determinations?

Mr. Hart. Yes.

Mr. Fulton. To question is a matter of perspective and what is primary and what is secondary. I think our point of departure should be the quality of education. I think the State should start with the stability, the ethics and then these all converge. I mean, it is a triangle. Federal, State, and some other judgment, possibly accreditation. We are inside the triangle. Where the lines do actually overlap I don't think is necessary to define. I think each of the corners should have some identity. I think there is unfortunate confusion on the part of some State people that they are accrediting. I know Mr. Clark. He is an articulate and energetic gentleman, and dedicated. But he is not accrediting, despite the name of his agencies. There is no peer participation in the judgment.

Mr. O'Hara. He really doesn't pretend to be accrediting.

Mr. Fulton. It depends in which forum he appears. But he does not use a system of peer judgment. I suggest that one read very carefully the position of his national association in that I am not sure whether or not they really agree with my concept of twin judgments. I suspect that there are those within his organization that prefer to see the States have total control.

Mr. O'HARA. I frequently feel that I have been denied the ability to operate effectively in this area, because I didn't go to one of your schools and learn accounting. But it seems to me that the accounting practices of your schools ought to be fairly clear cut and straightforward. That is to say that you could set up over here your accrued instructional liabilities and you could set up your funds on hand to meet those accrued instructional liabilities. It shouldn't be too much of a problem.

I would imagine that you have seen a lot of financial reports and balance sheets from proprietary institutions. It shouldn't be too much of a problem to set up some kind of rule of thumb for judging the financial stability of an institution in those terms. Would you discuss that with us a little bit? What sorts of criteria do you use? What do you look for?

Mr. HART. Well, first of all, neither Mr. Fulton nor I went to one of these schools either. We are equally deficient. But the greater variance among our schools, various types of schools, various levels of institutions I think prohibits a rule of thumb in any of our criteria. Additionally, we, of course, have certified accountants on the accrediting commission, and they themselves can disagree over a certified statement.

Mr. FULTON. One of the ironies of this is although there is nothing in the law that authorizes the prohibition against what some people called compensating balances, dedicated balances or whatever the prohibition against discounting incentives; that had the schools been permitted to establish a system of escrowing tuition receipts, there would have been the basis for financial stability. There would have been the funds to pay the refunds when the students leave school. But somewhere in their zeal—and it is really very perplexing how on the one hand the OE can prohibit that which isn't prohibited in the statute, but at the same time can't implement that which is mandated in the statute—it is very puzzling. But I would say it is really ironic the prohibition against so-called compensating, committed or dedicated balances paved the way for so many problems.

The problem is one of the most serious factors contributing to the lack of financial stability. I say if there could be some sort of draw-down system for disbursal of these moneys or of BOG money for any educational institution. In fact, I have serious qualms about shifting over to BOG, whether or not it might have been a mistake to make institutions the disbursing agents for BOG's because as I understand that program, it is the institution that was to be an incident of the student's decision as opposed to college-based programs where the student is an incident of the institution's discretion to dispense federally subsidized largess.

Making the institution the disbursing agent establishes the institution as an authority figure. Whereas I don't know why the regional offices of OE couldn't have been made the disbursing agents. However, I think there is a draw-down system on BOG.

Mr. O'Hara. All the checks are delayed?

Mr. Fulton. Of course you get into the bankers. I don't know what the bankers' position on that is. Anytime you seem to want to do anything, the bankers say it costs too much money. But I would say if you could establish an escrow system, a draw-down system, it could go a long way toward solving these problems.

Mr. O'Hara. Let me ask a few more questions. What are your minimum criteria for a refund policy?

Mr. Hart. The policy requires that an institution must not retain more than $100 if a student does not enter school. If a student drops out in the first week, an institution may retain no more than 10 percent of the tuition up to 1 year. If he drops out during the second, third, or fourth week, the institution may not retain more than 20 percent of the tuition. If the student drops out subsequent to that date and prior to 25 percent of the course, the institution may retain 45 percent of the tuition. If a student drops out prior to the halfway mark in the course, the institution may retain 75 percent. After that, the institution may retain the full tuition.

Mr. O'Hara. Let me ask another question. Do you and your criteria look at the advertising policies of the institutions seeking accreditation?

Mr. Hart. Yes.

Mr. O'Hara. What sort of standards do you have?

Mr. Hart. Again, they are general standards. They must not be misleading.

Mr. O'Hara. In other words, just a general standard of truthfulness and accuracy?

Mr. Hart. That is right.

Mr. Fulton. But I think entrepreneurial zeal is not limited to proprietary schools.

Mr. O'Hara. We have some other witnesses today, but let me ask you for some assistance first. I would appreciate it if you could furnish us with copies of the criteria you do use. I will include them in the record. Do you have them there?

Mr. Hart. Yes.

Mr. O'Hara. Without objection, a copy of the criteria will be included in the record.

Mr. Fulton. There is a supplement also, and within the supplement you will find the refund policy.

Mr. O'Hara. And the supplement of the Association of Independent Colleges and Schools will be entered in the record.

[The information referred to appears at p. 347.]

Mr. O'Hara. I have looked at the Newman recommendation. It seems to me that the kind of thing recommended in their seven points in connection with accrediting could be a useful system. Not as a separate matter. I mean, not as a replacement. I think you do have to have some sort of a dual-track system either involving the States and Federal Government and hte accrediting agencies. If you have any further thoughts on how that could best be done, we would appreciate receiving them. We are going to be in touch with you. You have been very helpful to us.

I want to make it clear that I don't think the proprietary schools are the problem. I think that many of the proprietary schools are doing as excellent job as any business, excluding unfortunately my own occupation. You are going to find some people who will cut corners and use unethical tactics, and sometimes it will take a while to catch up with them. But I don't think that is a problem that the proprietary schools invented. I think you and all of us have those kinds of problems, each in our own profession. I think the vast majority of schools in your association, from what I have learned of them, are doing a good job, and I want to make that clear. So we want to work with you in trying to find out ways we can prevent the fly-by-night operator, the sharp customer.

I like your system of requiring them to reaccredit whenever the control changes or the ownership changes. I think that is a good idea. We'd want to work with you to see what can be done.

Mr. FULTON. Thank you very much, Mr. Chairman.

Mr. O'HARA. Thank you.

Our next witness will be Dr. Frank Dickey, who is the executive director of the National Commission on Accreditation.

STATEMENT OF DR. FRANK DICKEY, EXECUTIVE DIRECTOR, NATIONAL COMMISSION ON ACCREDITING

Dr. DICKEY. Mr. Chairman, members of the subcommittee: I am Frank G. Dickey, executive director of the National Commission on Accrediting, a position which I have held since 1965. Thank you for the opportunity to appear. The testimony I shall give represents generally the viewpoint of the National Commission on Accrediting but does not necessarily represent the individual viewpoint of each executive officer of the nearly 1,300 colleges and universities which comprise the membership of the national commission. The rigid time schedule for preparing this testimony precluded the opportunity to contact the institutions making up the National Commission on Accrediting.

The National Commission on Accrediting has been in existence for 25 years now. It was established for the purpose of supervising and coordinating the agencies on behalf of the institutions which make up the membership of and support the National Commission on Accrediting. I think it is important at the outset to indicate that the National Commission on Accrediting is not an accrediting body per se. Rather, we recognize and coordinate for the benefit of the institutions and the public agencies that actually do the accrediting.

Let me emphasize at the outset that the National Commission on Accrediting does not believe that relying solely on accreditation of institutions or programs of postsecondary education in this country is the appropriate mechanism for determining, to the extent required by the Federal Government, the eligibility of institutions or individuals to receive public funds dispensed or guaranteed through the Federal mechanism. Nor should the accrediting process be expected, as more and more it is, to perform such a commonweal purpose.

It is here, Mr. Chairman, that we would agree completely with the position that you have already stated on this matter. Accreditation can and does perform a common welfare purpose—that of assuring to consumers—students, parents, employers, the general public—that institutions and professional programs meet minimum standards of quality, and it also lists these institutions and programs so that consumers may decide for themselves whereof they shall partake. Accreditation cannot, philosophically, procedurally or financially serve the general welfare purpose of formulae making for the reallocation of public tax dollars for educational purposes. This society's laudable move in recent years toward greater educational opportunity for all its citizens by its very direction imposes too many human variables for which accreditation, which is by and large and academic evaluation process, can or should be accountable.

Yet, steadily but surely the U.S. Government—if not the lawmakers, certainly the administrators—has insisted that accreditation serve this larger general welfare purpose. I shall attempt to substantiate this observation before I have finished.

But, again, let me say at this point: Accreditation and determination of eligibility for funding, particularly in the area of student assistance, are not concomitant concepts. They may be corollary but the correlation is not significant. The two, from my point of view, functions should be separated.

This is not a new nor shocking statement. Many in the accrediting community have been so declaring for a number of years. And one of the most publicized government-sponsored reports in many years, the first so-called Newman report, said the same thing, if, perhaps, for different reasons. Despite that report's criticism of accrediting in general, some of which was justified but much of which was misstated, said, and I quote:

> Federal and State governments should reduce their reliance on these established (accrediting) organizations for determining eligibility for Federal support.[1] (p. 66)

There is another area for which accreditation is being criticized which may be tangential to this committee's purpose but which I feel is related to the student assistant investigations. That is in the area of federally guaranteed student loans and what we all know is an exponentially increasing default on payments. Accrediting agencies are being blamed to a disproportionate degree for the repayment defaults because an initial criterion for eligibility to receive the loan is its verification through an accredited institution or program or one otherwise approved by the Commissioner of Education or a State approval agency.

Admittedly, there have been some fraudulent enticements to students by accredited institutions because of the potential of income to the institution via the loans. When such practices are discovered and reported the appropriate accrediting body can and should make an investigation. But, action to impose accrediting sanction against such an institution must follow a due process course, just as the action to grant accreditation takes a slow and deliberate approval route.

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[1] Frank Newman, Report on Higher Education, U.S. Department of Health, Education, and Welfare, 1971.

The point here emphasized is that accreditation is a voluntary, self-regulating, peer-oriented concept and process and no accrediting agency has sanction except via the process. Another point almost totally overlooked by the critics is that accreditation is a quality screening process primarily at the institutional or programmatic level—not at the consumer level. If universal opportunity and open access in eduation is to apply in a society, then the society must be prepared to withstand a relatively high failure rate. Such an open system prohibits qualitative screening of all desiring to participate. On the other hand, if some assessment of the individual capabilities is desired perhaps a system of licensure or certification is the answer, and it should be pointed out that this is quite different from accreditation.

The National Commission on Accrediting does not deny that many accrediting bodies within the past decade needed to be made more aware of their social responsibility if, indeed, accreditation is to retain its social value. The leadership of the National Commission on Accrediting has been saying as much and helping to achieve it long before the dollar sign of the Federal agencies was superimposed as a carrot in the process. We further believe that such social awareness is prevalent throughout the accrediting community and will be maintained through the cooperative activities of the profession itself—without further intrusion into those activities by the governmental sector.

We do not believe, however, that social awareness and responsibility can encompass the policing and fiscal accounting for every subsidized dollar directed toward every student. Only governmental machinery can effect such monitoring and should do so within constitutional limits if the government sector feels, as does this association, that such specificity goes far beyond the capability of accreditation to perform.

The key phrase in what I have just said is "within constitutional limits" because it is here that the Federal Government cannot much further intrude into higher education, including accreditation, without rewriting the basic intent of this country's founders.

Let me illustrate a general concern of this association by inserting into this testimony a portion of what was prepared by a colleague and me, and published in November 1972 by the American Association for Higher Education, a book entitled, "A Current Perspective on Accreditation," by Frank G. Dickey and Jerry W. Miller.

The situation during the 18 months since the document was prepared has only intensified in the direction of greater governmental jurisdiction of accreditation—an intensification under the guise of what we are talking about today, eligibility for allocation of so-called Federal funds.

Recent sensitivity to governmental involvement in accreditation is demonstrated by the content of a letter dated July 3, 1968 to Hon. Harold Howe, II, then U.S. Commissioner of Education, who was at that time in the process of establishing the Accreditation and Institutional Eligibility Staff in the Office of Education. The letter, signed by the 13 chief executive officers of the major higher education organizations in Washington, suggests that accreditation be eliminated from the title.

We understand that "accreditation" refers primarily to the process of "recognizing" accrediting organizations, and under present circumstances there would seem to be no reason to believe that the Office of Education would use the breadth of the title to become engaged in actual accrediting activities. However, the presence of the word "accreditation" in the titles for the staff unit might be misunderstood by both the academic community and those outside the educational institutions, and might conceivably present difficulties for the Office of Education in the future.

The following chronology indicates a virtual geometric increase in the governmental interest in accreditation since 1968:

In 1968: Establishment of the Accreditation and Institutional Eligibility Staff (AIES) at the Office of Education to administer the Commissioner's recognition and review process for accrediting agencies.

In 1969: Publication of new criteria by which the Commissioner evaluates agencies for recognition or recognition through inclusion on the list.

In 1970: Administrative indication that the recognized list of the Commissioner should no longer be identified solely with establishing eligibility for Federal funds, signaling a broader interest in accreditation by Federal officials.

In 1971: Publication of the Newman report with the approval of the Secretary of Health, Education, and Welfare, calling for revision in the roles of accrediting agencies and charging them with domination by the "guilds of each discipline."

In 1971: Transmittal of a report to Congress by the Secretary of HEW, mandating a study of accreditation by the Office of Education to: include an analysis of all alternatives that may have potential in maximizing the public accountability of those accrediting agencies that enjoy nationally recognized status conferred by the Commissioner.

In 1971: Notification to the recognized agencies by the acting Commissioner that they should ensure that unacceptable discrimination or arbitrary exclusion is not practiced by accredited schools or programs—this is an example of governmental policing through nongovernmental means.

In 1971: First recognition of an agency that has responsibility for the accreditation of educational programs at the secondary school level.

In 1971: Indications that the Newman task force would recommend: (1) tighter Federal control of nongovernmental accrediting groups, if not abolition of specialized accreditation; (2) separation of the establishment of eligibility for Federal funds from accredited status; and (3) new Federal legislation to deal with the restrictive practices of nonprofit organization which would give power to a Federal agency to investigate and act upon violations involving specialized accrediting agencies.

In 1974: Publication of another and more stringent set of criteria by HEW under which accrediting agencies must operate if the instituitons or programs which they accredit are to be included on the Commissioner of Education's list for eligibility to receive Federal funds—Criteria by now not only emphasize the reliance upon accreditation to determine eligibility but virtually dictate how accrediting agencies must be structured and how they must operate to achieve or maintain recognition by the Commissioner.

These actions, particularly the Newman reports and the report of the HEW Secretary to Congress, imply extensive Federal involvement in accreditation. The rationale for this involvement appears to be based on three theses: (1) accrediting agencies are engaged in processes that have a substantial bearing on the public interest; (2) there is evidence that these agencies do not give primary consideration to the public interest, but favor the interest of their members or member institutions; and (3) therefore, the Federal government should become more involved to assure that accrediting groups operate in the public interest—The NCA membership concurs in only the first thesis.

It is significant that, with the exception of the HEW Secretary's report to Congress on credentialing in the health fields, nearly all the increased Federal activity concerning accreditation has been initiated by Federal administrators, not by legislators in the halls of Congress. Furthermore, congressional authorization for Federal involvement with nongovernmental accreditation is limited to: (1) establishment of eligibility for the distribution of Federal funds in several legislative acts for postsecondary education, and (2) maintenance of a recognized list of accrediting agencies by the Commissioner of Education solely to implement the provisions of the legislation.

Additional Federal involvement with nongovernmental accreditation appears to be based entirely on administrative decisions.

Here, I would like to suggest it would be helpful to refer to a very completely documented article by Mathew Finkin, an article that will be referred to by the testimony of a colleague of mine from the Federation of Regional Accrediting Commission of Higher Education.

The inclusion of a considerable number of accrediting agencies on the U.S. Commissioner of Education's list of recognized agencies which have no role to play in determining eligibility for Federal funds is another indication of unneeded and unwarranted involvement of the USOE in accreditation affairs.

The major theme unrelying increased Federal activity in accreditation is that accrediting agencies themselves are unlikely to change or reform; therefore, it must be imposed upon them. Little credit is given to the accrediting community for the change currently under way and the broadening concern of accrediting agencies for the social responsibility of accreditation.

Implicit in the reports and activities of the Federal government is the assumption that broader involvement by Federal agencies will make accreditation more socially responsible, as well as provide answers to educational problems.

Admittedly, accrediting agencies have gained from their relationships with both State and Federal Governments. Federal utilization of accredited status has resulted in additional pressures for programs and institutions to be accredited; in some cases it has made accreditation virtually mandatory. Some accrediting agencies have been eager to or have sought to serve government agencies; others have done so willingly. Few have resisted and, as a result, the Federal use of accreditation continues to grow. The AIES in 1971 listed 21 Federal agencies that utilize accredited status granted by nongovernmental agencies.

Apparently, some accrediting agencies have applied for recognition by the Commissioner of Education solely to obtain the status that goes with inclusion on the list. Many agencies presently have no functional responsibility for establishing eligibility for Federal assistance. Perhaps they are hopeful that future educational legislation will specify their accredited status for eligibility purposes and they will have the advantage of already being on the list. At any rate, their inclusion increases the significance of the Commissioner's list and results in an accretion of power in his office over accrediting agencies.

Effective and penetrating discussion among accreditation leaders and others has caused accrediting agencies to become more firmly committed to serving societal needs first and foremost. However, not enough discussion has focused on the increasing dependence of government upon accreditation and the tendency of some accrediting agencies under pressure from their constituencies to seek government recognition and to utilize the status it grants.

Federal Government and accrediting agency relationships as they have evolved have long-term implications for accreditation, not to mention for postsecondary education in general.

The use of accreditation status by government is so extensive that there exists virtually no possibility of a complete pullback, even if such were desirable. Therein lies a major dilemma for accreditation.

If accrediting agencies seek recognition by USOE or willfully serve governmental purposes and functions, they can expect increased governmental control and direction. On the other hand, public disavowal of any responsibility to serve government could be declared socially irresponsible for agencies that purport to serve the public interest.

Yet, many believe accreditation can best serve society if it is totally free of domination or control by governmental interests. The basic problem is to determine the degree and kind of influence to be exercised by the government.

The implication that accreditation can best serve the public interest when it is free of governmental control is paradoxical to some. To others, it is a recognition of several logical assumptions:

1. Accreditation is a principal component of the governance of postsecondary education in the United States.

2. Postsecondary education inevitably must and should respond to long-term interests and needs of society as manifested in governmental programs and elsewhere. To serve society well, however, postsecondary education must be afforded a measure of stability; otherwise, it can be buffeted by State or Federal administrations seeking to accomplish various objectives, not all necessarily educational.

3. Nongovernmental accreditation is an extension of the balance-of-power concept on which the Federal Government and society are founded. To prevent the development of a monolithic postsecondary educational structure susceptible to control by narrow interests, ac-

creditation should remain a diversified nongovernmental activity that can balance short-term governmental interests with long-term societal objectives.

4. Growing Federal control over accreditation carries with it the potential for considerable control over educational practices and standards. This violates the traditional role of the Federal Government in education, if not its constitutional authority.

Some will argue that it would be irresponsible for the Federal Government to utilize the accreditation status granted by nongovernmental accrediting agencies without assessing their competence and activities in light of governmental objectives.

If this were true, over a period of time the Federal Government could be expected to exert increasing control and influence over accreditation and, consequently, over postsecondary education. Developments since 1968 seem to validate this assumption.

The dilemma grows when one considers the alternative of the Federal Government substituting its own procedures for those of nongovernmental agencies. Such an alternative multiplies the potential for exerting direct control over institutions and their programs and creating a monolithic system of postsecondary education. Such a route, in our opinion, cannot be traveled further without constitutional authority to do so.

Not only is the current situation perplexing, but it also grows more complicated with every new Federal use of accreditation. It is urgent that parameters for relationships between government and nongovernmental accrediting agencies be clarified and soon.

In considering the issues, the following questions appear basic:

1. Will continuing on the present course result in the Federal Government in the future exercising an unacceptable degree of control and influence in the accreditation of postsecondary education? The National Commission on Accrediting strongly believes it will.

2. If so, should accrediting agencies continue to accept responsibility for serving governmental purposes and objectives but under well-defined parameters to guide the relationship?

3. Or, should accrediting agencies disavow any responsibility for serving governmental purposes and functions and refuse to submit to review and recognition procedures by the Federal Government?

4. Or, could accrediting agencies adopt a policy of affirmative disclosure relative to their policies, procedures and decisions, thereby requiring the Federal Government to take the initiative in determining the acceptability of accrediting activities for governmental purposes instead of placing the burden of proof on accrediting agencies? Clearly, our association so believes.

In fact, may I suggest to the committee that for the purpose here under discussion—eligibility for financial assistance—there already exists within the Department of Health, Education, and Welfare and its Office of Education the existing capability to determine such eligibility for every institution of postsecondary education in the United States. I refer to the annual higher education general information survey, the so-called HEGIS report. This annual report form, now required of all nonprofit educational institutions, contains enough quantitative data from which quality could be interpolated to satisfy the Federal requirement for eligibility for Federal funding. I dare say that it contains more data on which to make a determination than do the periodic reports required of institutions by bona fide accrediting bodies.

Probably with only little modificaion, the same HEGIS-type report could be made available to the proprietary sector of postsecondary education. Through this method, even though accreditation might be assigned a weighted factor in the eligibility determination, the institutions would be relieved of establishing eligibility solely through the accrediting mechanism. It would, at the same time, relieve the accrediting bodies of institutional pressure and pressure from various professional bodies to attest to qualitative indices which perhaps should only be decided over a longer period of time.

It certainly would, we feel, reinstitute among institutions and programs the desired atmosphere of competing for excellence within parameters other than those to which dollars are attached. Hopefully, accrediting agencies, for which assuredly there would be decreased activity under such a plan, could then engage in a more cooperative surveillance of postsecondary education with the Federal Government than now exists. To be sure, such a plan forces institutions ot pursue a dual route—toward eligibility for Federal funds in one land and accreditation in the other—but they will have the option of traveling in either lane independent of the other. They do not now have this option.

If what I have proposed would be construed as a threat to some accrediting groups because without the absolute necessity of accreditation for funding many institutions might not seek their services, then so be it. Such a condition would reduce the degree of "mandatism" and reestablish a "voluntarism" on which the concept of accrediting was established. Those institutions voluntarily seeking accreditation would then be doing so at an educationally higher level of desire.

In the opinion of the National Commission on Accrediting, the U.S. Commissioner of Education does not need a multimillion-dollar add-on of staff and funds to accomplish what has been proposed. What is needed is greater and better utilization of the equipment, funds, and personnel within HEW and OE now to accomplish this determination for eligibility.

There is no conceivable reason why, with the electronic data processing capability now inherent with HEW and OE, that the necessary data output from the HEGIS-modified forms cannot be utilized with the rapidity and the concurrency on which to base eligibility decisions. Use of the HEGIS forms for eligibility determination would help to mollify the antagonism to such a massive reporting job by the institutions—a mandated requirement with which they now must comply but the total results of which they may be 2 to 3 years seeing, if ever, under the present arrangement.

The National Commission on Accrediting does not agreee with the recommendation of a yet-to-be-published national study of the accreditation-eligibility dilemma—a proposal that a public corporation type of body be established for a 5-year period and handsomely subsidized with Federal funds to perform this function on an experimental basis. It is unnecessary, in our opinion, to establish yet another bureaucracy and expend additional funds when the goal can be achieved with existing Federal machinery simply by separating the accreditation and eligibility function.

The role of the States in this picture is more fully described in a statement submitted to this committee on behalf of the Federation of Regional Accrediting Commissions of Higher Education. It might be easier for Federal disbursers to monitor activities of 50 State-approving authorities than individually to assess the eligibility of several thousand institutions. With the stipulation of being guarantor of all misused or defaulted funds as the price for State involvement, the chances are that we would have much stronger State-approving agencies than we now have in this country.

The National Commission on Accrediting, ever since its establishment in 1949, has endeavored to be a constructive force for the improvement of accreditation of institutions of higher education and of programs within these institutions.

During its existence, the National Commission on Accrediting has stunted the mushrooming of accrediting agencies. It has helped to reduce and to solve jurisdictional conflicts. It has encouraged an approach in accreditation which places more emphasis on the broader aspects of an institution or program of study than on merely meeting a set of specific and detailed requirements or standards. Despite these accomplishments, much more needs to be done to improve the evaluation of quality in postsecondary education.

The Commission's methods of accomplishing its objective have changed as it has matured. In its early days, because of the then unchallenged authority of some accrediting agencies, the National Commission had little choice but to rely on power and threats in order to force attention to needed changes in the policies and practices employed in accrediting. As revisions and improvements were made by the accrediting agencies and as concern over accrediting issues on the part of the college and university administrators became less constant, the influence of the commission was expressed more effectively through persuasion and consultation. An atmosphere now exists which is conducive to forming relationships which can improve accreditation and its ability to serve education and society. The Council on Postsecondary Accreditation which assumes the functions of the national commission and FRACHE on January 1, 1975, is a manifest of this new climate.

But let me state for one last time: accreditation and the processes, philosophies, and procedures inherent in it, should not be asked to serve either as procurer of nor collateral for postsecondary educational moneys distributed by the Federal Government. The commitment of nongovernmental accrediting agencies to the improvement of educational quality through the postsecondary level is at once their best and major means of serving the American people.

I should be glad, Mr. Chairman, to respond to any questions that might have been prompted by these statements.

Mr. O'Hara. Mr. Dickey, in essence, you have suggested the substitution of an alternative method of determining eligibility in participation for Federal grants. You said that accrediting might play a role in that only in the sense that the fact of accreditation or nonaccreditation might [illegible] weighted factor in the determination of eligibility?

Dr. DICKEY. Correct.

Mr. O'HARA. It seems to me that I wouldn't want to send one of my children to a nonaccredited institution. The consumers of education have long relied on accreditation, and although it hasn't been a perfect index, it is something and it has been a fairly effective one. I am not at all sure I want to see some system where an unaccredited institution would be considered an eligible institution. I think we might we get into a new set of problems.

In other words, I can conceive of an institution that might have financial stability, excellent refund policies, and meet all the other criteria, perhaps, but not provide an adequate level of instruction. I certainly wouldn't want to encourage, directly or indirectly, young people to attend such an institution. What about saying that an institution shall be an accredited institution and leave out that which sets criteria with respect to these other kinds of things?

Dr. DICKEY. I think that is a very possible kind of alternative, Mr. Chairman. I suppose one of the major reasons that I have insisted that eligibility and accreditation should be separated is the growing feeling among the institutions for higher education and the accrediting agencies themselves that the eligibility factor is presenting an amount of control over the accrediting agencies by the Office of Education and other Federal offices that will soon eventuate in the erosion of the independence and autonomy of the accrediting agencies.

So, if the combination that you spoke of, of eligibility on the one hand through some means whether it be through the HEGIS repor[illegible] or some others, could be combined with the accreditation witho[illegible] the accrediting agencies being placed under increasing controls, [illegible] think this could be a very, very logical and wise route to follow.

Mr. O'HARA. Let me make clear, Dr. Dickey, I share your concern. If you have to be on the approved list of accrediting agencies in order to have your accreditation accepted and if the Office of Education is going to decide who is on the approved list and who isn't, certainly they are going to start imposing a pattern on these accreditation agencies, and I am a little concerned about that. I would like to see accreditation made a smaller part of the process, but nevertheless, a part. Of course, it creates pressures within your organization or pressures on the part of the schools. If some school is in danger of not being accredited or losing its accreditation, all of a sudden there is a much greater urgency on their part to achieve accreditation or to retain it, and it puts pressure on the accrediting agencies.

Dr. DICKEY. And then they are placed in a position of deviating to some extent from full attention to the quality aspect of the situation in order to make it possible for this institution, if it is needed, for its continual existence to become eligible for Federal funds.

Mr. O'HARA. Then you have a responsibility toward the students. In a sense, you have two kinds of responsibilities. If you weren't involved in approval for Federal funds, your responsibility to the students would be to see that they achieved the best possible education. When you are involved in approval of Federal funds and you have a number of students who are in an on-going program and you would withdraw your accreditation all of the sudden, their eligibility for Federal funds might be withdrawn. They might not be accepted in some school they wanted to transfer to. Instead of being faced with having received an education that doesn't meet, in some regard, your standards, they will be faced with the possibility of not having received a complete education of even an inferior quality and just be completely stuck for whatever they borrowed.

So, I think it is a severe problem as to how you maintain the independence and integrity of the accrediting agencies. And, how, at the same time, do you assure a standard of scholastic and academic standards at institutions that are certified for participation in these programs?

Dr. DICKEY. Having read the testimony that Mr. Kirkwood and the Federation of Regional Accrediting Commissions of Higher Education will soon give, I think there is a point on which we agree thoroughly. In fact, virtually all of our territory is, I think, in agreement. Namely, that accrediting agencies are being called upon to perform than they were ever intended to perform, and some of which they cannot very effectively perform. Not they shouldn't be interested in some of these, such as affirmative action, plans of desegregation and so forth, but if the accrediting agencies are charged with that responsibility, they become a police arm of the Government which is not compatible with the original intent or capabilities, really, of the accrediting agencies.

Mr. O'HARA. Maybe I missed something. Have they been charged with such responsibilities?

Dr. DICKEY. In a sense, indirectly, that they must charge the institutions in terms of not so much the desegregation plans, but at least to the extent of their efforts and affirmative action and this type of thing.

Mr. O'HARA. I hadn't realized that.

Dr. DICKEY. In this essence, it is asking the accrediting agencies to perform a service that I think would be somewhat doubtful in terms of, first of all, their capabilities and then the appropriateness of the Federal agencies asking them to undertake such things.

Mr. O'HARA. To say the least.

Mr. QUIE. Would the gentleman yield?

Mr. O'HARA. Yes.

Mr. QUIE. How does the Federal Government bring about this pressure on the agencies?

Dr. DICKEY. Through the quest for recognition. The credit that has been involved would include certain elements that would make it necessary for the accrediting agencies to indicate that they are giving attention to some of these elements that I have mentioned.

Mr. QUIE. Well, the prohibition against Federal control over education does not apply to accrediting institutions.

Dr. DICKEY. This could be one interpretation, yes, sir.

Mr. O'HARA. Well, you have raised a new point that I find very disturbing. Pressure on an accrediting agency to insist on the maintenance of certain level of academic standards is one thing, because that is after all what the agencies are there for. But pressures on accrediting agencies to look into other aspects of university operation, including affirmative action programs, for instance, seems to me to be getting rather far afield. I don't know how far, but in any event, it is outside the traditional role of the accrediting agencies.

Dr. Dickey. That is exactly the point.

Mr. O'Hara. Not outside the traditional role of the well-established accrediting agencies, but outside the traditional role of the best accrediting agencies, all of them.

Dr. Dickey. Yes.

Mr. Quie. If the gentleman will yield?

Mr. O'Hara. Yes, Mr. Quie.

Mr. Quie. If you recall when we first began the civil rights activities in HEW, the Office of Education had the responsibility to enforce the Civil Rights Act. Then it was felt wise the OE should not be a policeman, and therefore they moved it to an office in HEW.

Mr. O'Hara. I must say to the distinguished ranking member of the committee that one of the other areas we hope to get into before we complete title IV is this affirmative action area, because we have received a number of communications, written and spoken, expressing concern about the way in which that aspect of the problem is being administered. We are going to look into that.

Do you have any other question of Dr. Dickey?

Mr. Quie. Yes, I do. It seems to me I have observed through the years not just the question of accrediting agencies making certain that there is academic quality but there is a great difference of opinion what academic quality it. To that extent you say the politics of it. Have you looked at that in the study, for instance, teacher education for one example? The amount of time and quality of the teaching in the teacher training institutes and the subject matter of discipline of that prospective teacher as against the pedagogy method of teaching?

Dr. Dickey. This I am sure will continue to be a major problem, because as long as we have some freedom and diversity amongst our institutions and freedom within the institutions for various faculty members, various outside pressure groups, external pressure groups to have differing points of view, I think we will always have some difference of opinion as to what makes up a quality program.

This is a little apart from the discussion, but I was involved in a discussion just recently of salary increments for faculty members based upon the quality of instruction rather than just on their writings and research. The basic problem comes when you determine whose interpretation of the quality of instruction is. What to me might be a superior teacher to you might be a very poor teacher.

So, as long as we have differences of opinion about what constitutes good teaching or what constitutes the basic elements of a sound program, I think we are going to have difficulties. So the accrediting agencies have attempted as much as possible to permit institutional differences and variations within the programs so that they are enabled to follow this out and entitled to some opportunities for innovation, experimentation without certain blocks of time being rigidly imposed. This makes it extremely difficult to evaluate the programs and assess them.

But if this could be followed, I think we might eventually wind up with a stronger educational program than if we tried to set one particular pattern for them.

Mr. QUIE. What method is there among the accrediting agencies or institutions themselves to bring this issue out for discussion and resolution? Is there anybody accrediting the accrediting agency?

Dr. DICKEY. I suppose in a sense that is what both the Federation of Regional Accrediting Commissions of Higher Education is doing for the regional accrediting commissions and the National Commission of Accreditation for the professional and specialized accrediting agencies in the process of review of the accrediting agencies to determine whether or not they are indeed making unreasonable demands upon institutions and institutional programs.

On the other hand, we would not pretend to have a sufficient amount of expertise in all these professional fields to determine whether their standards were completely accurate or not. It is more a matter of whether or not they are making conflicting demands upon an institution. For example, there a number of institutions in this United States that have as much as 25 to 30 different programs within the institution that were subject to specialized accreditation, and the purpose of the National Commission on Accreditation has been to determine whether or not those different accrediting agencies indeed are presenting conflicting requirements and demands upon the institution.

Now, there is a move underway to merge the Federation of Regional Accrediting Commissions and the National Commission on Accreditation into one organization and counsel on both secondary accreditation that would have the responsibility for coordinating and supervising all the accrediting activities for the postsecondary level. In this way, we feel we can bring about closer coordination, relieve the pressures from some of the accrediting agencies, but at the same time recognizing that there must be a considerable difference field to be accredited trying to bring about a higher degree of coordination amongst them. This new operation will become operative about January 1, 1975.

Mr. QUIE. At the end of your statement you indicated some suggestions for the involvement of States in making some of these determinations. Have you had a chance to look at the implementation of the amendments of 1972 as far as public vocational and technical schools and their accreditation by the State rather than by an accrediting agency?

Dr. DICKEY. Not any direct association with that.

Mr. QUIE. Thank you, Mr. Chairman.

Mr. O'HARA. Thank you very much, Dr. Dickey. We appreciate your coming before us.

Now our next witness will be Mr. Robert Kirkwood, executive director of the Federation of Regional Accrediting Commissions of Higher Education.

Mr. Kirkwood, if you please, take your place at the witness table.

Mr. KIRKWOOD. Thank you very much, Mr. Chairman, and members of the subcommittee.

STATEMENT OF ROBERT KIRKWOOD, EXECUTIVE DIRECTOR, FEDERATION OF REGIONAL ACCREDITING COMMISSIONS OF HIGHER EDUCATION

Mr. KIRKWOOD. On behalf of the Federation of Regional Accrediting Commissions of higher Education may I express our appreciation for the invitation to participate in this hearing. These are important deliberations, of vital interest to the 9 regional accrediting commissions comprising the federation, as well as to the more than 2,500 postsecondary institutions with which we work. We commend the chairman and members of the Special Subcommittee on Education for their diligence and thoroughness in reviewing the subject of student financial assistance and its ramifications.

Mr. Chairman, I have a prepared statement. With your permission, I would like to skip over parts of it which are descriptive of the accreditation process and go on to a few of the statements that I do think pertain directly to some of your comments this morning.

Mr. O'HARA. Mr. Kirkwood, without objection, your statement will be entered into the record of the hearing at this point.

Mr. KIRKWOOD. Thank you very much.

[The prepared statement follows:]

PREPARED STATEMENT OF ROBERT KIRKWOOD, EXECUTIVE DIRECTOR, FEDERATION OF REGIONAL ACCREDITING COMMISSIONS OF HIGHER EDUCATION

Mr. Chairman and members of the subcommittee: On behalf of the Federation of Regional Accrediting Commissions of Higher Education may I express our appreciation for the invitation to participate in this hearing. These are important deliberations, of vital interest to the nine regional accrediting commissions comprising the Federation, as well as to the more than 2500 postsecondary institutions with which we work. We commend the Chairman and Members of the Special Subcommittee on Education for their diligence and thoroughness in reviewing the subject of student financial assistance and its various ramifications.

We have been asked to testify about accreditation as one device currently used to determine institutional eligibility for participation in federal student financial aid programs, and to review the meaning and implications of accreditation as currently practiced. In addition, we have been asked to comment on alternatives to accreditation or additional criteria that might be posed by law with respect to such eligibility. We shall endeavor to do so.

Educational accreditation in the United States is not a monolithic entity, contrary to generalizations made by its critics. There are two major types of voluntary nongovernmental accreditation, institutional and specialized, each with particular characteristics. *Institutional accreditation* normally applies to an entire institution, indicating that each of its parts is contributing to the achievement of an institution's objectives, although not necessarily all on the same level of quality. The Federation of Regional Accrediting Commissions of Higher Education works directly with the nine regional commissions in the field of institutional accreditation. *Specialized* or *professional accreditation* deals with programs or professional schools which are normally parts of a larger institution. The policies and procedures related to the two types of accreditation vary considerably in emphasis and approach. Even with institutional accreditation there are differences between agencies which deal primarily with non-profit institutions and those which work with proprietary or profit-making institutions. The regional accrediting commissions work almost exclusively in the non-profit institutional sector, and these remarks are confined to that experience, neither making nor implying comparisons with other types of accreditation.

The accrediting process conducted by the regional commissions is continuously evolving, having changed significantly from the early days of simple check lists to a steadily increasing emphasis on measuring the outcomes of educational experiences. It begins with a comprehensive effort by an institution to assess its effectiveness in the light of its publicly stated purpose and objectives. This self-study involves a broad cross section of the institution's various constituencies—students, faculty, trustees, administrators, alumni, and sometimes even the local community. The resulting self-study report further serves as introductory and background material to an evaluation team assigned to visit the campus by a regional accrediting commission. A team usually consists of professional educators, faculty members as well as administrators, certain specialists according to the nature of the institution, and sometimes members of state agencies and others representing specific public interests. The visiting team evaluates the institution's own efforts to assess its strengths and weaknesses, and adds judgments based on expertise and the advantage of an outside perspective.

Once an evaluation team completes its report and the institution reviews it for factual accuracy, the report goes to the regional accrediting commission along with the original institutional self-study report and any further response the institution makes to the analysis and judgments of the visiting team. The regional commission then considers the evidence and takes appropriate action, with adequate provisions for review and appeal in accordance with due process.

An institution achieving initial accreditation undergoes mandatory review within five years or less, while longer accredited institutions may go to a maximum of ten years between reviews. However, every institution is required to submit an annual data summary to its regional commission and a report every fifth year describing significant developments or changes. Regional commissions reserve the right to review any institution at any time for cause, and an institution undergoing substantive change, such as moving from the baccalaureate to the master's degree level, will be reviewed not more than two years after the change becomes effective. Thus, there is a continuing relationship between accredited institutions and their regional commissions holding them accountable to their educational peers, to the constituencies they serve, and to the public interest.

Historically and currently institutional accreditation at the postsecondary level may be said to:

> Foster excellence in postsecondary institutions through the development of criteria and guidelines for assessing educational effectiveness; encourage institutional improvement through continuous self-study and planning;
>
> Assure the educational community, the general public, and other agencies or organizations that an institution has clearly defined and appropriate objectives, maintains conditions under which their achievement can reasonably be expected, appears in fact to be accomplishing them substantially, and can be expected to continue to do so;

In addition it: provides counsel and assistance to established and developing institutions; and endeavors to protect institutions against encroachments which might jeopardize their educational effectiveness or academic freedom.

Notice that eligibility is not listed among the purposes of institutional accreditation as conducted by the regional accrediting commissions.

The reason is quite simple: accreditation was never designed to serve the purposes of determining institutional eligibility for federal funding or related activities. We like to think that federal agencies decided to utilize accreditation because of the sound reputation regional accrediting commissions have achieved over more than fifty years of experience in the filed. Realism suggests, however, that convenience and economy had some influence on the decision. For one thing, accreditation was already there, with well-established respect and wide support throughout the educational community. Economics was also a factor; the Accreditation and Institutional Eligibility Staff estimates that merely to set up a comparable federal structure for accreditation would cost over ten million dollars, not to mention the annual operating costs and other expenses.

The advantage to the government is considerable, and for many years the Office of Education and other agencies have gladly utilized institutional accreditation for their purposes. Literally hundreds of developing institutions were assisted by federal funding programs through reliance on accreditation, especially during the 'sixties, and the problems compared with the successes were negligible indeed. During most of this period there was a passive but cooperative relationship between the regional accrediting commissions and the U.S.

Office of Education. Nevertheless, uneasiness began to develop within the educational community as distortions in the meaning of accreditation resulted from its use as a basis for determining eligibility. New institutions tended to conform to traditional patterns in order to assure their eligibility for federal funding, despite emphasis by the regional commissions on the importance of innovation and experimentation. To lose entirely the creative and constructive aspects of the accrediting process as it relates to institutional self-study and planning would clearly be a profound loss for American education and for the nation.

Other dangers in the use of accreditation by federal agencies have appeared more recently, and their impplications are only now becoming clear. For example, many complex universities and community colleges have to cope with institutional accreditation along with a number of specialized or professional accrediting agencies as well. In some cases this situation is mandated by licensure and certification laws, while in others it is voluntary. Because of the costs involved with each new type of accreditation, together with the internal imbalances and fragmentation which various types of accreditation often create, instittuions have been trying to control this proliferation for a number of years through the National Commission on Accrediting. In early 1975, a new Council on Postsecondary Accreditation, merging the activities of the Federation and the National Commission on Accrediting will come into existence, one of its purposes being to control the proliferation of accrediting activities.

The U.S. Commissioner of Education is not under similar restraints, and his Accreditation and Institutional Eligibility Staff continues to recommend recognition of new accrediting agencies, despite the absence of any legislative mandate to do so. The Commissioner is empowered to recognize only those agencies necessary to implement the provisions of federal legislation, but the current list of approximately fifty federally recognized agencies includes about one-third whose accreditation has no relationship to current federal legislation. Unfortunately, federal recognition tends to place increased pressure on institutions to accept each new kind of specialized accreditation. If that trend continues, it could be overwhelmingly disastrous in terms of costs, fragmentation, and ultimately control over the internal affairs of each institution.

A more recent danger to emerge is that of attempting to coopt the accrediting agencies as enforcement arms of the federal government, a development which could divert them from their primary function of promoting the improvement of education to one of intrusive police action. None of the existing accrediting agencies is either capable or desirous of any such undertaking. From a staffing point of view, only the generous and voluntary participation of literally thousands of professional and lay people enable the regional accrediting commissions to carry out their functions. Far from being massive bureaucracies, their professional staffs range from one to a maximum of ten people. Financially, the regional accrediting commissions depend entirely upon their membership for support, with continuous pressure to keep annual dues and accrediting costs to an absolute minimum. Even were it desirable, and that is at best questionable, it is wholly unrealistic for federal agencies to expect the regional accrediting commissions to function as their enforcement agents.

Perhaps the greatest threat in cooptation is the possibility of placing the federal government directly in a position to take over the accrediting process, thereby leading to control of postsecondary education in the United States. We call your attention to the article by Matthew Finkin entitled, "Federal Reliance on Voluntary Accreditation: The Power to Recognize as the Power to Regulate" which appeared in the July 1973 issue of the Journal of Law-Education (pp. 339-375). The number and variety of governmental agencies already demanding conformity to certain practices or imposing their will on postsecondary educational instittuions is profoundly disturbing. Moreover, the often conflicting and contradictory requirements of separate agencies has brought educational leaders to a state of bewilderment. Where common sense and human decency once paved the way to pragmatic solutions of our problems, federal legislation is now too often seen as a panacea to solve everything.

A quick look at alternatives to accreditation heretofore proposed as a basis for determining eligibility for federal funding, e.g., those suggested by the Newman Commission, shows they would simply extend the federal government's role into accrediting and, inevitably thereby, its control over post-secondary education. Along with many others I have had an opportunity to examine the most exhaustive study to date of eligibility and accreditation, one commissioned by the U.S. Office of Education but as yet unpublished after two years and a cost of nearly a quarter of a million dollars. I honestly regret to say that it has failed to uncover any workable alternatives to accreditation as a basis for federal funding.

Much of the dissatisfaction expressed with accreditation is based on loose generalizations and occasionally downright ignorance and perversity. That there are weaknesses in institutional accrediting is undeniable, but constructive change is constantly in progress, and the regional accrediting commissions continue to receive the overwhelming support of the educational community and informed citizens. Clearly, in light of the dangers alluded to above, it would be in the best interests of education and society if effective ways could be found to eliminate or at least minimize the potential threats to nongovernmental accreditation. Reduced reliance on accreditation as a basis for determining eligibility would be a step in the right direction. One of the most constructive proposals for doing so it outlined in the statement submitted to this Subcommittee by Dr. Frank Dickey on behalf of the National Commission on Accrediting. It calls for increased utilization of the Higher Education Government Information Survey (HEGIS), and I commend it to your thoughtful attention.

There is little question that serious problems exist with respect to shady and marginal education activities. The dimensions of this Subcommittee's inquiries attest to that. May I respectfully suggest, however, that a major source of the problem is not at the federal level but in the states. Despite recent articles in the *Boston Globe* and *The Washington Post*, this fact has not yet received sufficient attention. There is a mistaken but widely held belief that accrediting agencies determine which institutions may operate or can force out of existence those they disapprove. This is simply not true. Chartering of educational institutions is a state function, and the regional accrediting commissions require than at institution have level authorization to operate before they will work with it. Unfortunately, however, few states have effective chartering legislation, although historically and constitutionally this is one of their responsibilities.

There is a ready solution at hand, namely the proposal by the Education Commission of the States Task Force on "Model State Legislation for Approval of Postsecondary Educational Institutions and Authorization to Grant Degrees." It is our firm conviction that if enough states adopted the model legislation or modified their laws to conform with its principles, we could go a long way toward eliminating some of the evils which are of concern to this Subcommittee and to all others interested in education.

Obviously, we are not suggesting that the states become accrediting agencies, because we see the same dangers there as at the federal level. Nevertheless, if the states conducted their chartering activities effectively, the federal government could rely on state actions with respect to the legal authorization of educational institutions as a basis for determining eligibility. This is another alternative to accreditation worthy of this Subcommittee's most careful consideration. The accrediting commissions, then, could devote their efforts more fully toward the improvement of education and toward assuring the public as well as the educational consumer that the quality and integrity of the educational opportunities available are reliable and sound. Such developments would foster a better system of checks and balances among federal, state, and nongovernmental agencies, a concept which underlies our Constitution and one whose success may well determine whether we will have another two hundred years of democracy in America.

Thank you for your kind attention and for this opportunity to testify.

Mr. KIRKWOOD. I would like to point out historically and currently institutional accreditation at the postsecondary level may be said to foster excellence in postsecondary institutions through the development of criteria and guidelines for assessing educational effectiveness; encourage institutional improvement through continuous self-study and planning and to assure the educational community, the general public, and other agencies or organizations that an institution has clearly defined and appropriate objectives, maintains conditions under which their achievement can reasonably be expected, appears in fact to be accomplishing those substantially, and can be expected to continue to do so.

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The reason is quite simple; accreditation was never designed to serve the purposes of determining institutional eligibility for Federal funding or related activities. We like to think that Federal agencies decided to utilize accreditation because of the sound reputation regional accrediting commissions have achieved over more than 50 years of experience in the field. Realism suggests, however, that convenience and economy had some influence on the decision. For one thing, accreditation was already there, with well-established respect and wide support throughout the educational community. Economics was also a factor; the accreditation and institutional eligibility staff estimates that merely to set up a comparable Federal structure for accreditation would cost over $10 million not to mention the annual operating costs and other expenses.

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The U.S. Commissioner of Education is not under similar restraints, and his accreditation and institutional eligibility staff continues to recommend recognition of new accrediting agencies, despite the absence of any legislative mandate to do so. The Commissioner is empowered to recognize only those agencies necessary to implement the provisions of Federal legislation, but the current list of approximately 50 federally recognized agencies includes about one-third whose accreditation has no relationship to current Federal legislation. Unfortunately, Federal recognition tends to place increased pressure on institutions to accept each new kind of specialized accreditation. If that trend continues, it could be overwhelmingly disastrous in terms of costs, fragmentation, and ultimately control over the internal affairs of each institution.

A more recent danger to emerge is that of attempting to coopt the accrediting agencies as enforcement arms of the Federal Government, a development which could divert them from their primary function of promoting the improvement of education to one of intrusive police action. None of the existing accrediting agencies is either capable or desirous of any such undertaking. From a staffing point of view, only the generous and voluntary participation of literally thousands of professional and lay people enable the regional accrediting commissions to carry out their functions. Far from being massive bureaucracies, their professional staffs range from 1 to a maximum of 10 people. Financially, the regional accrediting comissions depend entirely upon their membership for support, with continuous prossure to keep annual dues and accrediting costs to an absolute minimum. Even were it desirable, and that is at best questionable, it is wholly unrealistic for Federal agencies to expect the regional accrediting commissions to function as their enforcement agents.

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With the chairman's permission, I would like to submit a copy of that article for the record.

Mr. O'Hara. Without objection, the article will be entered at the conclusion of your testimony.

Mr. Kirkwood. Thank you.

The number and variety of governmental agencies already demanding conformity to certain practices or imposing their will on postsecondary educational institutions is profoundly disturbing. Moreover, the often conflicting and contradictory requirements of separate agencies has brought educational leaders to a state of bewilderment. Where common sense and human decency once paved the way to pragmatic solutions of our problems, Federal legislation is now too often seen as a panacea to solve everything.

A quick look at alternatives to accreditation heretofore proposed as a basis for determining eligibility for Federal funding, that is to say, those suggested by the Newman Commission, shows they would simply extend the Federal Governments's role into accrediting and, inevitable thereby, its control over postsecondary education. Along with many others I have had an opportunity to examine the most exhaustive study to date of eligibility and accreditation, one commissioned by the U.S. Office of Education but as yet unpublished after 2 years and a cost of nearly a quarter of a million dollars. I honestly regret to say that it has failed to uncover any workable alternatives to accreditation as a basis for Federal funding.

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One of the most constructive proposals for doing so I have seen is outlined in the statement submitted to this subcommittee by Dr. Frank Dickey on behalf of the National Commission on Accrediting.

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The accrediting commissions, then, could devote their efforts more fully toward the improvement of education and toward assuring the public as well as the educational consumer that the quality and integrity of the educational opportunities available are reliable and sound. Such developments would foster a better system of checks and balances among Federal, State, and nongovernmental agencies, a concept which underlies our Constitution and one whose success may well determine whether we will have another 200 years of democracy in America.

Thank you for your kind attention and for this opportunity to testify.

[The article referred to follows:]

FEDERAL RELIANCE ON VOLUNTARY ACCREDITATION: THE POWER TO RECOGNIZE AS THE POWER TO REGULATE

By Matthew W. Finkin*

(Journal of Law and Education, vol. 2 No. 3, July 1973, p. 339)

INTRODUCTION

Over the past twenty years, the federal government has relied increasingly on the determinations of private voluntary accrediting agencies as a criterion for eligibility for federal funds in a variety of post secondary education programs.[1] That relationship has recently been subject to some criticism. A report funded by the United States Office of Education concerning post secondary occupational education, issued in 1970, concluded that unless the appropriate agencies make "needed changes in administrative structure, broaden representation, and undertake scientific investigation of their standards and evaluation criteria, a consideration of alternatives [to the current system] should not be ruled out."[2] In a report the following year, HEW Secretary Richardson called on the Commissioner of Education to institute a formal review of accreditation of health personnel programs and alternatives, explicitly including the possibility of establishing a federally chartered corporation to coordinate national accreditation.[3] That same year, a Task Force funded by the Ford Foundation (the Newman Commission) reporting to Secretary Richardson, suggested a reduction in federal reliance on private accreditation.[4] Its draft second report calls for sweeping changes:

> We have thus proposed that HEW distinguish eligibility criteria and procedures from accrediting criteria and procedures, to recognize organizations—including accrediting agencies—willing to apply these criteria as opposed to accreditation standards, establish a commission to hear appeals of eligibility denial, and require institutions to publish SEC-type prospectuses as a form of consumer information. Thus, we seek not to federalize accreditation, but merely to limit the federal involvement.[5]

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*LL. M., Yale University School of Law.

[1] These are discussed *infra passim.*

[2] C. Ward, The State of Accreditation and Evaluation of Post Secondary Occupational Education in the United States 208 (1970).

[3] HEW, Report on Licensure and Related Health Personnel Credentialing 72 (1971). The report was mandated by the Health Training Improvement Act of 1970, discussed *infra.*

[4] HEW, Report on Higher Education 66 (1971).

[5] Newman, *A Preview of the Second Newman Report,* 4 Change 28, 33 (1972).

In the interim, the Office of Education has moved to revise its criteria pursuant to which private accrediting agencies come to be determinants for eligibility[6] and has funded a study on *Private Acrediting and Public Funding*, conducted by the Brookings Institution.[7] Although that assessment is due in August, a progress report indicates a tentative conclusion that "'accreditation' does not serve adequately to protect the educational consumer or to vouch for the financial or educational integrity of all accrediated institutions. . . ."[8] Firm proposals will doubtless be made.

Noticeably absent in the debate, at least as it has proceeded thus far, and essential to the development of concrete proposals for altering the current system, is some clear understanding of the limits of the authority of the Office of Education under the current statutory network.[9] Curiously, no serious questions seem to have been raised within the academic community of the authority of the Commissioner of Education to adopt the proposed revisions in criteria currently under discussion nor have any of the proposals suggested the need for legislative consideration with any specificity.[10] Accordingly, this discussion will treat the question of the government's current authority. Given the breadth of the statutory language concerned, this analysis must perforce rely on legislative intent to the extent discernable as well as on an institutional analysis of the respective roles of the legislative and executive branches in the light of the criticisms leveled at the acreditation system. It would be helpful prior to the requisite emersion in the skein to have some brief acquaintance with the structure and functions of voluntary accreditation.

Structure

There are two types of accreditation: institutional and specialized or program.[11] The former is accorded by six regional associations of member institutions each exercising exclusive jurisdiction for a specific geographic area.[12] The origins of the various associations differ but they seem to have been engendered by a common concern for the problems of admissions and the maintenance of minimum academic standards.[13] The regionals have formed a national Federation of Regional Accreditating Commissions of Higher Education to coordinate their efforts. Each association formulates standards for eligibility for membership, which constitutes the acquisition of institutional accreditation, and determines through committees of visitation whether applicants have conformed to them. In addition, member institutions are themselves periodically re-evaluated, usually at ten-year intervals.

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[6] *U.S. To Require Accreditors to Add Public Members,* Chronicle of Higher Education, 2 (October 2, 1972).

[7] Brookings Institution Private Accrediting and Public Funding, Fact Sheet on a 1972–73 Study (December 8, 1972).

[8] Orlans, Study of Accreditation and Public Funding, First Quarterly Report 5 (October, 1972).

[9] "Network" is chosen in lieu of the more customary "framework" or scheme" for as will appear subsequently a word bearin ga sufficiently labyrinthian connotation is essential.

[10] Two staff members of the National Commission on Accrediting have pointed out that the statuatory basis seems limited and that further involvement "appears to be based entirely on administrative decision." Dickey & Miller, *Federal Involvement in Nongovernmental Accreditation*, 53 Educ. Rec. 138, 140 (1972). In neither instance is the matter pursued. Harold Seidman points out that the federal role cannot transcend its current statuatory authority and that any "efforts by the office [of Education] to expand its role would be subject to challenge on legal and constitutional grounds." Seidman, *Accreditation of Post Secondary Education: Problems in Organization*, in Study of Accreditation in Selected Health Educational Programs; Part I—Staff Working Papers F-1, F-7 (1971). He does not, however, explore the limits of that authority. An Advisory Committee to the National Commission on Accrediting, funded by the Carnegie Corporation, made firm recommendations for Commission action covering the Federal involvement including an exploration of "the constitutionality of use by federal agencies of accreditation by a voluntary agency as a basis for financial support to colleges and universities." The Role and Function of the National Commission on Accrediting 5 (1969). No other issue of the limits of current authority was discussed. Indeed, the Advisory Committee recommended a more expansive role for the National Commission in the decisions of federal agencies. *Id.* Finally, the Executive Director of the Association of American Law Schools has observed that: . . . the Office of Education has begun to tighten its procedures in deciding whether or not to add an accrediting agency to its list. Here, we find the Office of Education, in the U.S. government, actively engaged in setting standards for an aspect of education that has traditionally been very free of government regulation. Cardozo, *Recent Developments in Legal Aspects of Accreditation,* 213 J. Am. Med. Ass'n. 594, 595 (1970). Again, no issue of the authority of the Office to so move was raised.

[11] HEW, Nationally Recognized Accrediting Agencies and Associations, *Criteria and Procedures for Listing by the U.S. Commissioner of Education and Current List 1* (March, 1972) (hereinafter Criteria and Procedures). A brief history of accreditation is provided in W. Selden, Accreditation: A Struggle Over Standards in Higher Education (1960) and an updated bibliography and analysis is supplied in F. Dickey and J. Miller, A Current Perspective on Accreditation (1972). C. Ward, *supra* note 2 for accreditation of occupational education programs, and Miller, *Structure of Accreditation of Health Educational Programs* in Study of Accreditation of Selected Health Educational Programs, Part I: Staff Working Papers, Accreditation of Health Educational Programs, B-1 (1971), for health program accreditation. *See also, Cardozo, Accreditation in Legal Education,* 49 Chi-Kent L. Rev. 1 (1972).

[12] They are the Middle States Association of Colleges and Secondary Schools, the New England Association of Schools and Colleges, the North Central Association of Colleges and Secondary Schools, the Northwest Association of Secondary and Higher Schools, the Southern Association of Colleges and Schools, and the Western Association of Schools and Colleges.

The U.S. Office of Education's Statement of Criteria and Procedures points out that, "regional, or institutional, accreditation applies to the total institution and signifies that the institution as a whole is achieving its objectives satisfactorily."[14] In addition, the Federation of Regional Accrediting Commissions has stated that accreditation does not validate any specialized program offered by the institution.[15]

> Specialized or program accreditation is performed by a number of organizations which are national in scope, rather than regional, and each of which represent a specialized area, such as architecture, cosmetology, law, practical nursing, teaching, or trade and technical education. A primary purpose of specialized accreditation is to protect the public against professional or occupational incompetence.[16]

Such specialized agencies are themselves either membership organizations of professionals or associations of professional schools in the field or some body affiliated with them, although in such instances, the degree of control varies.[17] In the health field particularly, the exponential increase in new subprofessions and semi-professions each with a claim for separate accreditation has produced no small strain on the entire accreditation structure.[18]

Overviewing the accreditating system is the National Commission on Accrediting, composed of member institutions and associations of institutions, which undertakes, in effect, to accredit the accrediting agencies.[19] Its early efforts to reduce the status of specialized agencies to that of advisors to the regional associations aborted and it has attempted rather to rationalize the accrediting structure.[20]

Functions

The U.S. Office of Education lists nine functions performed by voluntary accreditation:

1. Certifying that an institution has met established standards;
2. Assisting prospective students in identifying acceptable institutions;
3. Assisting institutions in determining the acceptability of transfer credits;
4. Helping to identify institutions and programs for the investment of public and private funds;
5. Protecting an institution against harmful internal and external pressures;
6. Creating goals for self-improvement of weaker programs and stimulating a general raising of standards among educational institutions;
7. Involving the faculty and staff comprehensively in institutional evaluation and planning;
8. Establishing criteria for professional certification, licensure, and for upgrading courses offering such preparation; and
9. Providing one basis for determining eligibility for federal assistance.[21]

THE STATUTORY BASES FOR FEDERAL RECOGNITION OF PRIVATE ACCREDITING AGENCIES

The Beginning—The Korean GI Bill

The enactment of the Veterans' Readjustment Assistance Act of 1952[22] established the basic pattern of official federal recognition of private accrediting agencies although federal reliance on the determinations of such bodies antedates its passage.[23] The Act was, in part, a response to the Korean War, but also a reaction to difficulties encountered with its predecessor—the Servicemens' Readjustment Act of 1944.[24] The latter provided for approval of education and training institutions (including institutions of higher education) by state approving agencies or by the Administrator of the Veteran's Administration. Serious difficulties were encountered with slipshod state approval of "fly-by-night" and "blind alley" programs,[25] althought this was not generally a problem in higher education.[26] The House select committee investigating the administration of the GI Bill focussed almost entirely on non-collegiate education and recommended further Congressional attention to the strengthening of educational standards and the clarification of respective jurisdiction of Veterans' Administration and state approving agencies.[27] The House Committee on Veterans' Affairs produced a draft bill, noted in the subsequent hearings, which would continue the reliance on state approving agencies but would provide that such agencies may approve courses offered by an institution where they have been approved by a nationally recognized accrediting agency. It went on to provide that:

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[13] W. Selden, *supra*, note 11 at 42.

[14] Criteria and Procedures, *supra*, note 11 at 2.

[15] Quoted in F. Dickey & J. Miller, *supra*, note 11 at 13.

[16] Criteria and Procedures, *supra*, note 11 at 2.

[17] Miller, *supra*, note 11.

[18] Selden, *Expansion of Accreditation of Health Educational Programs*, in Study of Accreditation of Selected Health Educational Programs, Part I: Staff Working Papers, E-1 (1971).

[19] Note, *The Legal Status of the Educational Accrediting Agency: Problems in Judicial Supervision and Governmental Regulation*, 52 Cornell L. Q. 104, 105–106 (1966).

[20] F. Dickey & J. Miller, *supra*, note 11 at 18–21.

[21] Criteria and Procedures, *supra*, note 11 at 1.

[22] Pub. L. 82–550, 66 Stat. 663 (1952).

> For the purposes of this Act the Administrator [of Veterans' Affairs] shall publish a list of nationally recognized accrediting agencies and associations which he determines to be reliable authority as to the quality of training offered. . . .[28]

It also provided detailed requirements for state approving agencies to utilize in approving non-accredited courses. A number of bills were introduced containing identical language.[29] Others had been introduced constituting variations on the original GI Bill without these accreditation provisions.[30]

In the course of the hearings in the house a number of organizations urged that a role be provided the Office of Education in the administration of the statute.[31] The National Education Association entered a vigorous endorsement[32] and a more subdued one was given by the president of Union College on behalf of the American Council on Education, observing:

> At the present moment I can say that our policy has always been to endorse the program which the Office of Education has followed throughout its history of being nondictatorial, but of seeking to bring about cooperation among the various State organizations. Their policy has been one of advice and council [sic] of reserve and of general help to the agencies rather than of attempting to dictate from Washington. . . .[33]

The American Legion would have preferred to give veto authority over approval to the Veterans' Administration[34] as would the Bureau of the Budget[35] but the representatives of both AMVETS[36] and the Veterans of Foreign Wars[37] favored some role for the Office of Education, the former explicitly rejecting a veto authority for the VA.

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[23] *E.g.*, the National Science Foundation Act of 1950, 64 Stat. 149, 81st Cong., 2d Sess. (1950) allowed the foundation to award fellowships for scientific study at accredited institutions of higher education.

[24] Pub. L. 78–346, 58 Stat. 284.

[25] *See Hearings Before the House Select Committee to Investigate Educational and Training Programs Under GI Bill*, 81st Cong., 2nd Sess. (1951) and H.R. Rep. No. 3258, 81st Cong. 2nd Sess. (1951). As the Acting Comptroller General reported to the Senate Committee on Labor and Public Welfare, "Experience under the existing program shows that State approval of educational institutions has in many instances been no more than a 'rubber stamp' process." *Hearings Before the House Committee on Veterans' Affairs*, 82nd Cong., 2nd Sess. 1104 (1952).

[26] Administration of Veterans' Affairs & the Director of the Bureau of the Budget, Report Relative to the Original Sound Intents of the Servicemans' Readjustment Act, H.R. Doc. No. 466, 81st Cong., 2nd Sess. 6 (1950), H.R. Rep. No. 3258, 81st Cong., 2nd Sess. 9 (1951).

[27] H.R. Rep. No. 3258, 81st Cong., 2nd Sess. 29 (1951).

[28] *Hearings Before the House Committee on Veterans' Affairs on Educational and Training and Other Benefits for Veterans Serving on or after June 27, 1950*, 82nd Cong., 2nd Sess. 1011 (1952).

[29] H.R. 6425; H.R. 6426; H.R. 6427; H.R. 6428; H.R. 6362 and H.R. 6474, 82nd Cong., 2nd Sess. (1952).

[30] H.R. 5040, 82nd Cong., 1st Sess. (1951), H.R. 5038, 82nd Cong., 1st Sess. (1951).

[31] Notably the National Veterans' Education Association, *Hearings*, *supra* note 28 at 1174, and the National Council of Chief State School Officers. *Id.* at 1682.

[32] "The United States Office of Education is the one Federal agency that has long-established channels and experience in dealing with educational institutions. American education at all levels is accustomed to working with the Office of Education and has complete confidence in the professional ability and integrity of the agency. Thus, the National Education Association believes that the delegation to the United States Office of Education of administrative responsibility for an educational program of the type and scope now being considered by the veterans' committee would be a major safeguard against abuses of the law by educational institutions of questionable status." Letter from the Executive Secretary, National Education Association. *Id.* at 1195.

[33] *Id.* at 1577.

The Commissioner of Education opined that control of education should remain a state responsibility and that "modest supervisory responsibility" be given his office as the agency of government having well-established relationships with the educational establishments in the States.[38] He envisioned that role as being more one of persuasion than control and suggested that separate categories be established with differing controls for programs "administered by accredited colleges and universities" as opposed to the others embraced by such omnibus legislation.[39] Accordingly, the Commissioner was requested to submit a draft bill embodying his thinking. Under it, each state would designate a state Veterans' Education Commission composed of persons "broadly representative of the public interest, the principal educational gaency of the state government, and of the several educational and training interests involved. . . ."[40] Each commission should develop a state plan embodying acceptable standards and procedures for approving institutions including, however, a proscription of discrimination based on race or national origin. It would approve or disapprove institutions on the basis of inspections and objective findings of fact and establish procedures for considering appeals from those decisions. The Commissioner of Education would have authority to approve or disapprove the state plans so submitted and if none were submitted or if the state were operating in violation of its plan the Commissioner would have the authority to undertake the functions of the state commission.[41]

After the hearings, the committee staff held conferences with interested government agencies on sixteen occasions in an effort to draft legislation reflecting the suggestions made in the hearings.[42] The bill reported out would have allowed the Commissioner of Education to approve courses where the state failed to designate a state approving agency and would have continued the provisions on accreditation embodied in the Committee's earlier draft, save that the Commissioner of Education rather than the Veterans' Administrator would have been given responsibility for designating nationally recognized accrediting agencies and publishing the list of those so found.[43] The Office's proposed statutory function in developing cooperative agreements between the VA and State approving agencies, reviewing their operations and giving technical assistance to them, was haled by the Federal Security Agency, of which the Office of Education was then a part, as "potentially the most useful for the program"[44] and was vigorously opposed by the Veterans' Administration.[45] On this, the committee observed:

> It is to be emphasized that the contemplated function of the Office of Education is of a professional character only and it is not the intent of this subsection to give any veto to the Office of Education or to interfere fundamentally with the administrative authority vested in the Administrator of Veterans' Affairs.[46]

Interestingly, the VA did approve the accreditation provision.[47]

In conference, the VA retained the course approval authority which the House bill had given the Commissioner, but the latter's role in accreditation was retained.[48] Large issues loomed in the Congressional debates and the matter of accreditation was touched if at all only tangentially.[49] Some stress was placed, however, on the reduction in "red tape" resulting from a simplified administrative scheme of the act.[50]

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[34] *Id.* at 1474.

[35] *Id.* at 1435–1436.

[36] *Id.* at 1544.

[37] *Id.* at 1510.

[38] *Id.* at 1354, 1356.

[39] *Id.* at 1355. He had earlier noted that the degree of abuse is in "direct ratio to the degree that established and accredited institutions of education have been involved." *Id.* at 1353.

[40] §302(a)(1) of the Commissioner's proposed Veterans' Education Act of 1952. *Id.* at 1555–1556.

[41] *Id.* at 1556–1557.

[42] H.R. Rep. No. 1943, 82nd Cong., 2nd Sess. 24 (1952), 98 Cong. Rec. 6378 (1952) (remarks of Representative Rankin introducing the bill).

[43] H.R. Rep. No. 1943, *supra*, note 42.

[44] *Id.* at 97–98.

[45] *Id.* at 111–112.

[46] *Id.* at 35.

[47] *Id.* at 110.

[48] H.R. Rep. No. 2481, 82nd Cong., 2nd Sess. (1952).

As enacted, the Korean GI Bill required states to designate State approving agencies and if they failed to do so the VA Administrator would assume those functions. It authorized the State approving agencies to approve courses offered by an institution when they "have been accredited and approved by a nationally recognized accrediting agency or association"[51] and provided that the Commissioner of Education "shall publish a list of nationally recognized accrediting agencies and associations which he determines to be reliable authority as to the quality of training offered by an educational institution. . . ."[52] It also authorized state approval of non-accredited courses after the submission of requisite information and an investigation that statutory standards are met.[53] These included *inter alia* adequate space and personnel, adequate educational experience and qualifications of administration and faculty, compliance with local fire, building and sanitation codes, good reputation, financial stability and instruction consistent in quality, content, and length with similar courses in public schools and other private schools with recognized standards.

On September 17, 1952, the Commissioner of Education published the criteria, developed after "consultation with an advisory group of educators," for recognition as a national accrediting agency.[54] These required *inter alia* that: the scope of the organization be national or regional (i.e., encompassing several states); it serve a definite need; it perform no function that might prejudice its independent judgment; it make available to the public current information on its standards, operations and accredited programs or institutions; it only accredit institutions which are found on examination to meet pre-established standards; it has some experience in accrediting; and, it has gained general acceptance of its criteria and decisions. In addition, five procedural requirements were set out concerning the acquisition of information, use of qualified visitors, financial stability and re-evaluation. Recognition was conditioned on the assurance that accreditation will not be conditioned on the payment of any sum apart from any reasonable charges it might have, not exceeding the actual cost of accreditation.

The established criteria seem to fall well within the statutory authorization. Congress had been assured of the reliability of the standards and determinations of accrediting associations[55] and was concerned for the quality of education and training offered.[56] On the other hand, a serious problem of federal control of education seemed to be presented as well as a dispute between federal agencies.[57] There seems to have been a consensus, however, that these provisions imported no danger of federal control.[58] One of the few remarks explicitly directed to the accreditation provision came from the representative of the National Council of Chief State School Officers, who observed:

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[49] Senator Hill pointed out that the measure "prescribes better and higher standards which schools must meet," 98 Cong. Rec. 8414 (1952) but in response to an inquiry from Senator Bridges as to who is to decide the standards he made no square reference to private accreditation. *Id.*

[50] 98 Cong. Rec. 6395 (1952) (remarks of Representative Teague), 98 Cong. Rec. 6641 (1952) (remarks of Representative Donohue), 98 Cong. Rec. 6638 (1952) (NEA position on reduction of administrative expenses put in record by Representative Rankin) and 98 Cong. Rec. 6640 (1952) (analysis of American Council on Education focusing on reduced costs put in record by Representative Rankin).

[51] The Veterans' Readjustment Assistance Act of 1952, Pub. L. 82–550, §253 (1952).

[52] *Id.*

[53] *Id.* at §254.

[54] 17 Fed. Reg. 8929 (1952) (error corrected at 17 Fed. Reg. 8994 (1952)). Attached was a list of the six regional associations and 22 specialized agencies recognized pursuant to the criteria.

[55] Note the following colloquy between Representative Teague, who had chaired the earlier House investigation into abuses of the GI Bill and was a sponsor of H.R. 6425 *supra*, note 29, and Mr. Sam Colle, Assistant Administrator for Vocational Rehabilitation of the Veterans' Administration, in *Hearings Before the House Committee on Veterans' Affairs*, *supra* note 28 at 1331–32:

"Mr. Teague: Mr. Colle, would you tell us a little about nonaccredited courses and the approval of nonaccredited courses?

"Mr. Colle: You refer to institutions of higher learning?

"Mr. Teague: Yes.

"Mr. Colle: Well of course, the accrediting associations establish high standards in regard to courses of instruction that are provided by the members that are accredited by the associations. I think that is a very fine safeguard in respect to institutions of higher learning.

"Mr. Teague: What about nonaccredited courses?

"Mr. Colle: Nonaccredited courses in colleges?

"Mr. Teague: In colleges, public, private, profit and nonprofit.

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"Mr. Colle: I think the law ought to contain minimum safeguards. . . .

"Mr. Teague: Do you believe that nonaccredited courses should be consistent with the quality and content and length of similar courses?

"Mr. Colle: I see no reason for them to be lower in their standards. . . ."

> This section makes a magnificent contribution toward insuring that veterans shall receive accredited courses. It substitutes objective professional judgments of professional quality for discretionary judgments of a federal administrator.[59]

Moreover, the cost-conscious Congress was concerned for administrative expenses[60] and reliance on private agencies would reduce the cost of government carrying out individual inspections and evaluations[61] particularly in a sector that had provided little real problem in the past.

In sum, what seems to have been established was essentially a structure intended to minimize federal involvement and upon which state agencies and federal authorities could rely. Indeed, the language of the statute clearly assumed that there *were* recognized national accrediting agencies who were responsible authorities on the quality of education offered. Equally, the Commissioner's criteria seem simply to be built on what was sound practice among the accrediting organizations themselves.

Expansion of Reliance and the Refinement of Alternatives

National Defense Education Act. Section 103(b) of the National Defense Education Act of 1958[62] defined an institution of higher education for the purpose of the Act as an institution which (1) admitted only secondary school graduates or the equivalent, (2) was legally authorized to offer a program of post secondary education in the state, (3) provided a program of education leading to a bachelor's degree or not less than a two-year program which provides credit acceptable for such a degree, (4) was a public or other nonprofit institution, and (5) was accredited by "a nationally recognized accrediting agency or association or, if not so accredited, is an institution whose credits are accepted, on transfer, by not less than three institutions which are so accredited." It reiterated *verbatim* the authorization for the Commissioner of Education to publish a list of "nationally recognized accrediting agencies or associations which he determines to be reliable authority as to the quality of training offered" found in the Korean GI Bill.

The Act, a product of concern for the quality of American education and the production of a larger number of technologically trained personnel, was given considerable impetus by the launching of the Sputnik satellite by the Soviet Union.[63] It had nevertheless to contend with a vigorous opposition based on the threat of federal control over education put, perhaps, most strongly by Representative Johansen:

> By adopting this legislation you will give the greatest encouragement ever given by any Congress to that small but solid and utterly ruthless core of unblinding, unblushing, brazen advocates of definite, deliberate, all-out Federal control of education.[64]

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[56] As the Deputy Administrator had written to the Chairman of the House Committee, "To simplify administration and eliminate abuses, educational institutions should be required to demonstrate the quality and worth of their courses before they become eligible to participate in this program." *Id.* at 114.

[57] It is relevant to note that the VA did not apparently see itself as threatened by the Office of Education's authority over recognition of accrediting agencies as it did by the statutory right of that office to coordinate and advise on state programs. *Supra* note 45. *See Also* Hearings, *supra* note 28.

[58] Statement of the President of Rutgers University on behalf of the Association of Land Grant Colleges and Universities. *Id.* at 1612.

[59] *Id.* at 1684.

[60] *Supra* note 50.

[61] The Bureau of the Budget's Examiner for Veterans' Affairs had urged that the new program "should, to the maximum extent possible, be self-administering." Hearings, *supra* note 2 8at 1433.

[62] 20 U.S.C., §§401 et seq. (1970), 72 Stat. 1580 (1958).

[63] H.R. Rep. No. 2157, 85th Cong., 2nd Sess. (1958). S. Rep. No. 2242, 85th Cong., 2nd Sess. (1958).

[64] 104 Cong. Rec. 16726 (1958). *Id.* at 16567–8 (remarks of Rep. Allen); *id.* at 16569 (remarks of Rep. Landrum); *id.* at 16576–7 (remarks of Rep. Dawson); *id.* at 16582–3 (remarks of Rep. Berry); *id.* at 16683 (remarks of Rep. Abbitt); *id.* at 16686–8 (remarks of Rep. Beamer); *id.* at 16691–2 (remarks of Rep. Garin); *id.* at 16720 (remarks of Rep. Passman); *id.* at 16737 (remarks of Rep. Jensen); *id.* at 16738–9 (remarks of Rep. Thomas); *id.* at 16694–7 (remarks of Rep. Brownson); *id.* at 16697 (remarks of Rep. Alger); and *id.* at 17328 (remarks of Sen. Lauche).

Proponents of the measure stressed shortage of trained personnel[65] and argued that limitations on federal authority were workable.[66] During the hearings a number of spokesmen observed that the GI Bill had not resulted in federal control,[67] and it was widely urged that a limitation of institutional eligibility for student loans and scholarships to accredited institutions would accomplish the purposes of the Act.[68] Moreover, though not without variation many of the bills introduced relied at least to some extent on private accreditation, although not all would have included the publication requirement.[69]

It should also be noted that the language reported out by the House[70] and adopted in the final bill containing these definitional requirements,[71] did occasion some dispute largely concerning the exclusion of proprietary (for profit) institutions and the exclusion of programs not creditable toward a baccalaureate. The former excluded proprietary schools of business[72] some of which were accredited by an association recognized by the Office of Education pursuant to the Korean GI Bill. The latter affected accredited technical education, credits for which were nevertheless non-transferable toward a bachelor's degree[73] as well as hospital schools of nursing[74] and university extension education.[75] Thus, in the course of testimony and interrogation on these issues some features of the accreditation system were developed[76] as well as criticism of it. One witness, the owner of a proprietary school for medical secretarial training[77] appearing on behalf of a number of interested parties,[78] challenged the "country club policies"[79] of regional accrediting agencies and called for the abolition of "discrimination being practiced through accreditation" including the elimination of federal reliance on accreditation and a full investigation of the Office of Education.[80] In the course of his testimony, the Committee's understanding of the ministerial character of the federal reliance on accreditation was underlined.[81]

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[65] 104 Cong. Rec. 16586–7 (1958) (remarks of Rep. Addonizio); *id.* at 16587–8 (remarks of Rep. Ashley); *id.* at 16588–9 (remarks of Rep. Haskell); and *id.* at 16689–91 (remarks of Rep. McGovern).

[66] *Id.* at 16590 (remarks of Rep. Frelinghuysen); *id.* at 16684 (remarks of Rep. Phil[illegible]); *id.* at 16742 (remarks of Rep. Robison); and *id.* at 17330 (remarks of Sen. Johns[illegible]).

[67] *Hearings Before a Subcommittee of the House Committee on Education and Labor on Bills Relating t oa Federal Scholarship and Loan Program*, at 695 (remarks of HEW Secretary Folsom); at 68–69 (remarks of the Commission of Education); at 403 (remarks of the President of the Utah Congress of Parents and Teachers); at 349 (remarks of the President of Huron College); at 652 (remarks of the President Southern Oregon College). 85th Cong. 1st Sess. (1958).

[68] *Id.* at 667, 2035 (statement of the American Council on Education), id. at 1663 (statement of the American Association of Land-Grant Colleges and State Universities and the State Universities Association), *id.* at 1799, 1807 (remarks of the U.S. National Student Association). *See Also Hearings Before Senate Committee on Labor and Public Welfare on Science and Education for National Defense*, at 257 (remarks of the Commissioner of Education), and at 421 (remarks of American Council on Education), 85th Cong., 2nd Sess. (1958).

[69] H.R. 10381, 85th Cong., 2nd Sess. (1958), sponsored by the Committee chairman, while adopting much of the language of §103(b) omitted reference to any authority in the Office of Education to publish a list of recognized agencies but would give the Commissioner authority to "approve" such agencies. S. 2505, 85th Cong., 1st Sess. (1957) would, like the National Science Foundation Act, simply require accreditation without further reference. However, S. 1727, 85th Cong., 1st Sess. (1957), sponsored by Sen. Javits defined an institution of higher education as a public or private non-profit college or university wholly without reference to accreditation. Similarly, Sen. Humphrey's bill, S. 869, 85th Cong. 1st Sess. (1957) eliminated any reference to accreditation. S. 3157, 85th Cong., 2nd Sess. (1958) sponsored by Sen. Flanders listed the six regional associations in the bill and explicitly required accreditation by one of them thereby precluding any role for the Commissioner. Other variations were presented. S. 1237, 85th Cong., 1st Sess. (1957) would require the "advice" of appropriate accrediting agencies. S. 2917, 85th Cong., 2nd Sess. (1958) relied on a state determination of whether an institution was eligible. S. 2967, 85th Cong., 2nd Sess. (1958) required that institutions be accredited but went on to provide that publicly operated institutions shall be deemed to be accredited and in all other cases "accreditation shall be determined by the Commissioner of Education."

[70] *Supra*, note 63.

[71] H.R. Rep. No. 2689, 85th Cong., 2nd Sess. (1958).

[72] See the statement of the South Dakota Business School Association, *Hearings, supra* note 67, at 340. Statement of the National Association and Council of Business Schools, *Hearings Before the Senate Committee on Labor and Public Welfare, supra* note 68, at 1332–1335. It also affected proprietary technical training, see testimony on behalf of the Electronic Technical Institute, *Hearings, supra* note 67 at 1904.

[73] Statement on behalf of the Coordinating Committee on Scientific and Engineering Technicians, *Hearings supra* note 67 at 1447, *Senate Hearings supra* note 68 at 640–641, 645. Statement of National Society of Professional Engineers, *Hearings Before the Senate Committee on Labor and Public Welfare, supra* note 68 at 629, 635.

[74] *See* Statement by the Washington Hospital Center, *Hearings supra* note 67 at 1300, *Senate Hearings supra* note 68 at 853 supported by the American Hospital Association, *Hearings supra* note 67 at 1301. The inclusion of hospital schools of nursing was opposed by the American Nurses' Association, *Hearings supra* note 67 at 1846, *Senate Hearings, supra* note 68 at 1311–1312.

[75] Statement of American Association of Land-Grant Colleges and State Universities, *Hearings supra* note 67 at 1587, 1597, *Senate Hearings supra* note 68 at 700–702.

[76] The standards and principles of the Engineers Council for Professional Development for the accreditation of technical institutes was introduced in the *Senate Hearings, supra* note 68 at 646–655, and the accreditation of proprietary business schools was discussed in the *Hearings, supra* note 67 at 1605–1606. In addition, the Report of the Working Committee for the Development of Supporting Technical Personnel of the President's Committee on Scientists and Engineers was introduced in the *Hearings supra* note 67 at 1463–1473 and the *Senate Hearings, supra* 68, at 663–672, urging that such technical training be eligible for regional accreditation.

Relatedly, Senator Allott observed, during his questioning of President Caldwell of the University of Arkansas, that some colleges scarcely deserve to be rated as secondary schools.[82] In response, President Caldwell relied on accreditation as an index of quality.[83] No further issue was made nor was the reliance on accreditation raised in the Congressinoal debate save perhaps inferentially by the defendants of the measure who disclaimed that federal control would result.[84]

In sum, it seems beyond question that NDEA's section 103(b) was built squarely on the foundation laid by the Korean GI Bill. Congressional consideration of the reliance system, minimal as it was, nevertheless tends to support a view of the Office of Education's role as fundamentally ministerial. Indeed the "three letter" escape allowance for nonaccredited institutions reduced the federal role provided under the earlier act for the approval of nonaccredited courses. Interestingly, the publication authorization was seemingly taken from the earlier statute without a reconsideration of the use of the word "training" as opposed to "education," a term more appropriate to an act no longer concerned with on-the-job or on-the-farm vocational preparation.

Higher Education Facilities Act of 1963. Unlike its predecessors the Higher Education Facilities Act[85] was acknowledged as an aid-to-education measure as opposed to a catch-up for veterans or an emergency defense action and as such had a thorny path in Congress. The vagaries of various of its titles are not relevant here. Suffice it to note that the basic definition of an eligible "institution of higher education" in both the House and Senate versions was based on the language of NDEA. In addition to the requirements set out in Section 103(b) of NDEA, the House Committee's bill added the provision that for certain two year technical and semi-professional training, if the

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[77] Mr. Claude E. Yates of the Zweegman School for Medical Secretaries, *Hearings, supra* note 67 at 596.

[78] California Council of Business Schools, Western Region of the Accrediting Commission for Business Schools, National Association and Council of Business Schools, and non-affiliated private, specialized schools in California. *Id.*

[79] *Id.* at 609.

[80] *Id.* at 599–600.

[81] "Mr. Elliott [chairman of the subcommittee]: What does the United States Office of Education base its accreditation on? Is it not on what the local accrediting agencies do?

"Mr. Yates: But the local accrediting agencies do not extend that privilege to all recognized worthy institutions.

"Mr. Elliott: However, all the Office of Education is doing is just saying that a particular school has not been accredited by the local accrediting agency. Is that all they are [sic] saying?

"Mr. Yates: That is right."

Id. at 597

[82] *Senate Hearings, supra* note 68 at 715.

[83] "Mr. Caldwell: But our institutions gain accreditation, that is, gain authority to grant a recognized degree through membership in what we call the regional accrediting associations. In addition to the regional accrediting associations which accredit institutions to offer their bachelor's degree and so on and the master's and doctor of philosophy. We have accrediting associations in many of the professional fields, fields of medicine and law and social work or whatever it might be.

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"Sen. Allott: The point I am getting at is, is this possible that our accrediting agencies are not really doing the job that should be done. Who elects the accrediting agency?

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"Mr. Caldwell: An accrediting agency is representative of the practitioners in the field and the educators in the field."

Id. at 715–716

[84] As Senator Johnson put it, "We were looking for a way through which help would be extended without the control of Federal bureaucracy. And in this bill, I believe we have found it." 104 Cong. Rec. 17330 (1958). *See* particularly the statements of Senators Allott and Yarborough, both conferees, in support of the measure. *Id.* at 19079–80, 19085 respectively. The only voice speaking directly to this issue was Rep. Whitten who argued that educational deficiencies were themselves the products of the policies of the accrediting associations. *Id.* at 16740.

[85] Pub. L. 88–204, 77 Stat. 363 (1963).

Commissioner determined there was no nationally recognized accrediting agency qualified to accredit the institution, the Commissioner of Education would appoint an advisory committee composed of persons specially qualified to evaluate the training provided by the institution. The committee would prescribe the requisite standards, content, scope and quality and would also determine whether particular institutions were in conformity.[86] Both the House and Senate versions would have provided for eligibility where the Commissioner found sufficient assurance that accreditation requirements would be satisfied upon completion of the project for which assistance is sought.[87] The conference accepted the House addition for two year technical education[88] and thus the final text contained a substantial addition to the Commissioner's authority to act independent of private accrediting agencies.[89] The question however, is whether additional authority was envisaged with respect to existing accrediting agencies.

It should be noted that the opponents of broad federal aid to education programs seemingly saw nothing inconsistent in reliance on private accreditation for more narrowly framed measures. Senator Goldwater, for example, dissented from the Senate report.[90] However, he sponsored his own Educational Opportunities Act[91] which provided *inter alia* for accreditation or acceptance of credits for transfer as a requirement for eligibility (omitting the publication requirement) and allowing a tax deduction for higher education expenses. The latter provision's definitional section would have required accreditation "by a recognized national or regional accrediting agency"—presumably allowing the Internal Revenue Service to determine accreditation status.[92] Interestingly, after strong opposition to comprehensive federal aid was expressed by the presidents of three private institutions[93] who favored a tax credit system, Senator Morse instructed the Committee staff to draft a bill embodying their suggestions. The resultant proposal ostensibly designed to curtail federal involvement nevertheless retained accreditation by a nationally recognized accrediting agency as a definitional element of institutional eligibility.[94]

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[86] H.R. Re. No. 310, 88th Cong., 1st Sess. 2, 18 (1963).

[87] S. Rep. No. 557, 88th Cong., 1st Sess. 21 (1963).

[88] H.R. Rep. No. 884, 88th Cong., 1st Sess. 14 (1963).

[89] The complex definition of an institution of higher education provided in that section is worth noting in its entirety:

"The term 'institution of higher education' means an educational institution in any State which—

"(1) admits as regular students only individuals having a certificate of graduation from a high school, or the recognized equivalent of such a certificate;

"(2) is legally authorized within such State to provide a program of education beyond high school;

"(3) provides an educational program for which it awards a bachelor's degree, or provides not less than a two-year program which is acceptable for full credit toward such a degree, or offers a two-year program in engineering, mathematics, or the physical or biological sciences which is designed to prepare the student to work as a technician and at a semiprofessional level in engineering, scientific, or other technological fields require the understanding and application of basic engineering, scientific, or mathematical principles or knowledge;

"(4) is a public or other nonprofit institution; and

"(5) is accredited by a nationally recognized accrediting agency or association listed by the Commissioner pursuant to this paragraph or, if not so accredited, is an institution whose credits are accepted, on transfer, by not less than three institutions which are so accredited, for credit on the same basis as if transferred from an institution so accredited: *Provided, however,* That in the case of an institution offering a two-year program in engineering, mathematics, or the physical or biological sciences which is designed to prepare the student to work as a technician and at a semiprofessional level in engineering, scientific, or technological fields which require the understanding and application of basic engineering, scientific, or mathematical principles or knowledge, if the Commissioner determines there is no nationally recognized accrediting agency or association qualified to accredit such institutions, he shall . . . appoint an advisory committee, composed of persons specially qualified to evaluate training provided by such institutions, which shall prescribe the standards of content, scope, and quality which must be met in order to qualify such institutions for assistance under this Act and shall also determine whether particular institutions meet such standards: *Provided, however,* That the requirements of this clause (5) shall be deemed to be satisfied in the case of an institution applying for assistance unde rthis Act, if the Commissioner determines that there is satisfactory assurance that upon completion of the project for which such assistance is requested, or upon completion of that project, and others under construction or planned and to be commenced within a reasonable time, the institution will meet such requirements; and for the purposes of this paragraph the Commissioner shall publish a list of nationally recognized accrediting agencies or associations which he determines to be reliable authority as to the quality of education or training offered."

[90] *Supra* note 87 at 24–27.

[91] S. 181, 88th Cong., 1st Sess. (1963).

[92] Apparently Senator Goldwater did not see this as involving federal control or multiplying federal bureaucracy. *Hearings Before the Subcommittee on Education of the Senate Committee on Labor and Public Welfare,* 88th Cong., 1st Sess., 278–279, 286 (1963) (testimony of Sen. Goldwater).

[93] Rockford College, *id.* at 1127–1129; Earlham College, *id.* at 1130–1134; Stetson University, *id.* at 1135–1139.

As with consideration of the NDEA, a variety of measures of varying purposes were introduced, some like Senator Goldwater's relied on accreditation without reference to the authority of the Commissioner to recognize accrediting agencies.[95] Others tended to track the earlier statute[96] and others ignored accreditation altogether.[97] As with consideration of the NDEA the effectiveness of an earlier law, (in that case the Korean GI Bill and in this case the NDEA) was relied on as evidence of federal assistance without federal control,[98] and evidence of accreditation policies and practices, in this instance largely relating to technical and semi-professional education, was introduced.[99]

The picture that emerges simply reinforces the previously held assumption by Congress that the role of the Office of Education with respect to voluntary accreditation was to be essentially ministerial. Indeed, the grant of authority for the Commissioner to engage in accreditation where no nationally recognized agency was to be found or to allow eligibility to non-accredited institutions was chosen in explicit contradistinction to the notion of authority to regulate the internal affairs of such agencies.

Health Professions Educational Assistance Act of 1963. The Health Professions Educational Assistance Act of 1963,[100] a response to the demand for the production of a greater number of professional health personnel,[101] provided for construction grants for health teaching facilities to be approved by the Surgeon General. It defined an eligible applicant as a non-profit institution in one of a number of enumerated health professions and required that it be accredited by a recognized body or bodies approved for such purposes by the Commissioner of Education. It deemed as accredited, however, any institution for which the Commissioner found, after consultation with the appropriate accrediting body or bodies, there to be a reasonable assurance of meeting accreditation standards after completion of the facility. The authorization to publish a list of recognized accrediting agencies was curiously omitted.[102]

Much of the attention in committee focused on the eligibility of various health disciplines and the testimony almost invariably dwelt, albeit briefly in many cases, on the mere fact of accreditation.[103] In one instance concern was expressed by a member of the House committee for the need of an accrediting agency, explicitly harkening back to the Korean GI Bill.[104] In another, a witness objected to the accreditation policies of the American Medical Association with respect to colleges for chiropractors and other practitioners of drugless healing.[105] He urged that the bill be amended to provide explicit additional directives to the Commissioner of Education[106] but his urging was not followed. It was only upon the appearance of the representatives of the American Medical Association that anything proximate to an issue of the appropriate status of accreditation was raised,[107] to be discontinued as briefly as it had commenced.[108]

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[94] *Id.* at 1141.

[95] S. 390, 88th Cong., 1st Sess. (1963), S. 1115, 88th Cong., 1st Sess. (1963).

[96] S. 500, 88th Cong., 1st Sess. (1963) (sponsored by Sen. Javits), S. 580, 88th Cong., 1st Sess. (1963) (sponsored by Sen. Morse).

[97] S. 389, 88th Cong., 1st Sess. (1963) (sponsored by Sen. Humphrey would rely on an IRS determination of nonprofit educational status under the Internal Revenue Code).

[98] *See e.g., Hearings, supra* note 92 at 738 (remarks of Sen. Gruening). A precursor, the College Academic Facilities Act of 1962, H.R. 8900, 87th Cong., 2nd Sess. (1962) died in conference the previous year. 108 Cong. Rec. 20152–53 (1962). Its definition section was largely tracked in the instant measure save for the special treatment for two-year technical training. Of it, Rep. Green observed in response to a question of Rep. Vanik, "We were reminded of some of the experience, however, which we had under the GI Bill. We felt we had to have some form of accreditation. I think most of us will agree that there were many fly-by-night institutions set up under that program" *Id.* at 1156.

[99] Report of an Advisory Group on Higher Education to the House Committee on Education and Labor. *Id.* at 1549–1559. *Hearings Before the House Committee on Education and Labor,* 88th Cong., 1st Sess. 1000–1001 (1963) (testimony of the National Society of Professional Engineers). The Council for the Advancement of Small Colleges had specifically urged the enactment of the credit transferability standard as of benefit to its unaccredited members. *Hearings, supra* note 92 at 1858, 1869.

[100] Pub. L. 88–129, 77 Stat. 164 (1963).

[101] S. Rep. No. 485, 88th Cong., 1st Sess. (1963), H.R. Rep. No. 109, 88th Cong., 1st Sess. (1963).

[102] Most of the measures introduced are curiously neglectful of that provision given the contemporaneity of the Higher Education Facilities Act. See H.R. 180, 88th Cong., 1st Sess. (1963), H.R. 3182, 88th Cong., 1st Sess. (1963), and H.R. 2527, 88th Cong., 1st Sess. (1963). At least one, H.R. 3180, 88th Cong., 1st Sess. (1963) would give authority to recognize accrediting agencies to the Surgeon General. In the debate on the floor of the House, Rep. Quie argued that it was an aid to education measure which should be administered by the Commissioner of Education. 109 Cong. Rec. 6835 (1963). He objected to the fragmentation of educational assistance programs and offered an amendment containing *inter alia* the now customary publication authorization which did not pass. *Id.* at 6840–41, 6884.

[103] *Hearings Before the House Committee on Interstate and Foreign Commerce on Health Professions Educational Assistance,* 88th Cong., 1st Sess. (1963). *Id.* at 182 (testimony of American Dental Association); *id.* at 335–36 (testimony of Association of American Medical Colleges) and *id.* at 317 (testimony of American Association of Colleges of Pharmacy). *Hearings Before the Subcommittee on Health, Senate Committee on Labor and Public Welfare,* 88th Cong., 1st Sess. (1963). *Id.* at 223 (statement of the American Optometric Association) and *id.* at 206 (testimony of the American Podiatry Association).

Although the publication requirement was omitted from this legislation, its enactment is relevant to this discussion for it sheds some light on what the Congress understood the function of accreditation to be,[109] and the almost total inattention to the role of the Office of Education as well as the omission of the publication requirement is evidence that the Office's function in accreditation was considered (if at all) purely ministerial.

NDEA Amendments of 1964. Following in the wake of the hearings held for the proposed 1963 legislation, these amendments[110] extended the student loan provisions of the NDEA to otherwise ineligible but accredited non-profit business schools and technical institutes.[111] The House version would have extended coverage to all schools of nursing.[112] The Senate bill contained no such provision and the compromise eliminated the House's extension of eligibility to ,diploma (*i.e.*, hospital) schools of nursing, while retaining the provision for collegiate and associate degree programs. Inasmuch as these were required to be accredited and were defined as awarding a baccalaureate or graduate degree or an associate degree following a two year program respectively, the conference report made clear that this "did not intend to make changes in existing laws. The inclusion of the definition is merely to insure continuation of existing administrative practice."[113] The opposition focused again on federal control and the expansion of education programs in the name of national defense.[114]

Nurse Training Act of 1964. The failure to deal with hospital schools of nursing under the 1964 NDEA amendments was corrected by the passage of the Nurse Training Act of 1964,[115] itself modeled in part on the Health Professions Educational Assistance Act.[116] Accordingly, it required that all three categories of nurse training (collegiate, associate and diploma) be accredited by a recognized body or bodies approved for such purpose by the Commissioner of Education, but it allowed an unaccredited institution to be deemed accredited if the Commissioner found, after consultation with the appropriate accrediting agency or agencies, that there was reasonable assurance the program would meet accreditation standards. The latter alternative for hospital schools of nursing was added by the Senate Committee which conceived of one purpose of the Act as enabling many of the large number of unaccredited nursing schools to meet accreditation standards.[117] It was strongly opposed by the American Hospital Association which urged that state approval of hospital schools of nursing should suffice.[118] It was favored with equal vigor by both the American Nurses Association[119] and the National League for Nursing,[120] the accrediting agency recognized by the Commissioner of Education. The NLN had argued the importance of accreditation as a guarantee of quality, likening it to a trademark as a "seal of excellence." Both organizations nevertheless also favored the "reasonable assurance" test for as yet unaccredited programs. It seems clear that the passage of the Act represented a congressional policy highly deferential to specialized nursing accreditation;[121] it was a policy to be sharply buffeted in but a short period.[122]

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[104] Representative Cunningham stated in his questioning of HEW Secretary Celebrezze concerning schools of podiatry: "I have nothing against foot doctors, but I am just wondering whether there is any accrediting agency that would make a determination or a judgment as to which of these schools might be properly run and managed. When we had the GI Bill, we had, in my opinion, a lot of schools that sprang up overnight that got rich quick with no great deal of supervision, and I was wondering if there is any accrediting agency for podiatry." *House Hearings, supra* note 103 at 63.

[105] Id. at 237 (testimony on behalf of the American Health Federation).

[106] The amendment would have provided: "It is the intent of Congress that reasonable and fair standards for accreditation shall be set up by the Commissioner of Education to accredit chiropractic, and other drugless healing schools, and the Commissioner will take extra safeguards to prevent unfair accreditation requirements by which the standards of one recognized health profession are imposed on another." *Id.* at 238.

[107] Rep. Rogers inquired of the status of AMA accreditation and upon being informed it was "voluntary" observed, "You are saying, in effect, that they do not have to be accredited; that it is voluntary. That is like telling a man he does not have to work; he can starve to death." *Id.* at 288.

[108] *Id.* at 289.

[109] A major issue did concern the eligibility of institutions which had racially discriminatory policies. Sen. Javits proposed an amendment prohibiting discrimination, pointing out that 6 of 87 accredited medical schools refused to admit Negroes and that 32 of 243 nursing schools listed by the National League for Nursing bore an indication on the list that they refused to admit Negroes. 109 Cong. Rec. 16825 (1963). Interestingly, Rep. Rogers had asked Secretary Celebrezze whether the accreditation agencies would revoke the accreditation of an institution if it practiced an abuse of any kind—the Secretary assumed, inaccurately, that it would. *House Hearings, supra* note 103 at 48–50.

[110] Pub. L. 88–665, 77 Stat. 1100 (1964).

[111] S. Rep. No. 1275, 88th Cong., 2nd Sess. (1964). The President of the United Business Schools Association (a product of the merger in 1962 of the National Association and Council of Business Schools and the American Association of Business Schools), informed the House Committee that following the passage of the Korean GI Bill, the Accrediting Commission for Business Schools, affiliated with his organization, was founded and was recognized by the Office of Education in 1956. He explained that, "The accrediting commission was organized specifically for school's for whom there was no other avenue of accreditation." *Hearings Before the Subcommittee on Education, House Committee on Education and Labor*, 88th Cong., 1st and 2nd Sess. 510–511 (1964).

[112] H.R. Rep. No. 1629, 88th Cong., 2nd Sess. (1964).

[113] H.R. Rep. No. 1916, 88th Cong., 2nd Sess. 14 (196[illegible]).

[114] S. Rep. No. 1275, *supra* note 111 at 78 (individual views of Senators Goldwater and Tower), H.R. Rep. No. 1639, *supra* note 111 at 53 (individual views of Representatives Godell and Quie), 110 Cong. Rec. 17700 (1964) (views of Sens. Tower and Goldwater).

[115] Amendments to the Public Health Service Act, Pub. L. 88–581, 78 Stat. 908 (1964).

Higher Education Act of 1965. This omnibus legislation[123] built considerably on the reliance-recognition system. In addition to announcing a policy favorable to the attainment of accreditation in the provision of assistnace for library resources[124] and applying the accreditation-reasonable assurance test as part of the definition of a "developing institution" for eligibility for special assistance,[125] it provided an institutional definition for the purposes of reduced-interest student loan insurance[126] and amended the definitional section of the NDEA[127] building on the Higher Education Facilities Act. The major addition was the eligibility of any public or nonprofit collegiate or associate degree school of nursing or any other school providing not less than a one year program preparing students for gainful employment in a recognized occupation. A "satisfactory assurance" test for non-accredited institution was added as was the possibility of direct federal accreditation where the Commissioner determined there to be no nationally recognized accrediting agency or association qualified to accredit schools in a particular category. Both provisions and the final definitional section provided for the publication of a list of such nationally recognized agencies which the Commissioner determined to "be reliable authority as to the quality of training offered." [128]

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[116] 110 Cong. Rec. 16435 (1964) (remarks of Rep. Roberts in introducing the bill).

[117] S. Rep. No. 1378, 88th Cong., 2nd Sess. 4, 7–8 (1964). This also represented the administration's policy. *Hearings Before the Subcommittee on Public Health and Safety of the House Committee on Interstate and Foreign Commerce on the Nurse Training Act*, 88th Cong., 2nd Sess. (1964) (testimony of Special Assistant to the Secretary, HEW).

[118] *Hearings Before House Subcommittee, supra* note 117 at 73, 81, 84. *Hearings Before the Subcommittee on Health, Senate Committee on Labor and Public Welfare on Nurse and Graduate Public Health Training*, 88th Cong., 2nd Sess. 63–64 (1964) (remarks on behalf of the American Hospital Association). H.R. 5062, 88th Cong., 1st Sess. (1963) and H.R. 5248, 88th Cong., 1st Sess. (1963) proposed reliance on state approval.

[119] *Hearings Before the House Subcommittee, supra* note 117 at 100. *Hearings Before the Senate Subcommittee, supra* note 118 at 57.

[120] *Hearings Before the House Subcommittee, supra* note 117 at 127–128. *Hearings Before the Senate Subcommittee, supra* note 118 at 66–70.

[121] Rep. Roberts remarks are noteworthy: "There are a number of schools of nursing today which qualify for national accreditation, but have not done so because there is no incentive for them to do so. If we are to have a Federal program of assistance to schools of nursing, it seems reasonable to require that the schools meet certain minimum standards, and this is provided for in the bill." 110 Cong. Rec. 16436 (1964).

[122] *See* discussion *infra* at pp. 363–368.

[123] Pub. L. 89-329, 79 Stat. 1219 (1965).

[124] The definitional section, to be discussed *infra,* defined an institution of higher education in part in terms of accreditation. Accordingly, §206 provided that an institution "shall be deemed to have been accredited by a nationally recognized accrediting agency or association if the Commissioner determines that there is satisfactory assurance that upon acquisition of the library resources . . . or . . . other library resources planned to be acquired within a reasonable period of time, the institution will meet the accreditation standards of such agency or association." Reliance on accreditation did not pass entirely unchallenged. The Commissioner of Education pointed out to the Senate Committee that 50% of four year institutions and 82% of two year institutions fall below "accepted minimum standards in the number of volumes in their libraries." *Hearings Before the Subcommittee on Education, Senate Committee on Labor and Public Welfare on Higher Education Act of 1965*, 89th Cong., 1st Sess. 100 (1965). When Senator Clark asked the source of the standard and was informed it was the American Library Association the Senator remarked: ". . . this would be the pressure group in the public schools, the library association—those with probably the greatest and most estimable motives in the world are nonetheless promoting the objectives of their own association, and you and the Secretary are accepting those standards." *Id.* at 150. The ALA's standards were put in the record. *Id.* at 136–150.

[125] Pub. L. 89-329, §302(a)(1)(B) defined a developing institution as *inter alia* one which "is accredited by a nationally recognized accrediting agency or association determined by the Commissioner to be reliable authority as to the quality of training offered or is, according to such an agency or association, making reasonable progress toward accreditation . . ."

[126] Id. at §435.

[127] *Id.* at §461.

Congressional debate on the accreditation aspects was minimal [129] inasmuch as these were viewed as technical matters to be built on or compared with the Higher Education Facilities Act.[130] It is clear that the desirability of accreditation played a significant role in the thinking on library resources [131] and developing institutions.[132] Moreover, representatives of various vocational and occupational schools had urged the broadening of eligibility for reduced interest student loan guarantees [133] which the Senate [134] and eventually the House [135] accepted as including unaccredited schools which in the Commissioner's judgement could become accredited in a reasonable time, collegiate, and associate degree schools of nursing and occupational schools offering not less than a one-year program.

The warmth of the legislative policy toward accreditation [136] was not apparently chilled by the vigor of challenges raised in the hearing. The American Personnel and Guidance Association and the American Vocational and technical schools [137] and the American School Counselor Association encouraged strengthening the Commissioner's authority "in determining nationally recognized accrediting agencies in business, technical and trade institutions" pointing out that counselors have had "considerable difficulty knowing in many cases, the adequacy of the training advertised." [138] Most critical was the American Association of Junior Colleges which called attention to the "entire matter of accreditation." [139] Particularly vexing to the junior colleges was the problem of multiple accreditation by regional and specialized accrediting agencies particularly in view of difficulties encountered under the Nurse Training Act.[140] It urged that "a study of specialized accreditation be undertaken by the U.S. Commissioner of Education and the National Commission on Accrediting for the Guidance of Congress in drafting legislation." [141] **Congress was to call for a similar report five years later.**[142]

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[128] Id. at §801(a).

[129] Apart from a brief equation of accreditation with quality, 111 Cong. Rec. 21904 (1965) (remarks of Rep. Fogarty) and the need to upgrade developing institutions in terms of accreditation status, *id.* at 2 908 (remarks of Rep. Tunney).

[130] *Senate Hearings, supra* note 12 at 96 (remarks of Sen. Javits); *Hearings Before the Subcommittee on Education of the House Committee on Education and Labor on the Higher Education Act of 1965,* 89th Cong., 1st Sess. 135 (remarks of the Commissioner of Education).

[131] S. Rep. No. 673, 89th Cong., Sess. 25 (1965).

[132] *Id.* at 31. H.R. Rep. No. 621, 89th Cong., 1st Sess. 16 (1965).

[133] *House Hearings, supra* note 130 at 505–508, 520 (remarks of the President of the Draughton School of Business). *Senate Hearings supra* note 124 at 972 (remarks on behalf of the National Council of Technical Schools); *id.* at 982–983 (remarks on behalf of the Home Study Council).

[134] *Supra* note 131.

[135] H.R. Rep. No. 1178, 89th Cong., 1st Sess. 66 (1965).

[136] Interestingly, it was argued to the Senate Committee that the creation of the alternative of federal accreditation where no voluntary agency existed would "provoke" the creation of a private accrediting body. *Senate Hearings, supra* note 124 at 1069 (remarks on behalf of the United Business Schools Association). This seems justified. Indeed the Associate Commissioner for Higher Education pointed out to the House Committee that the alternative of accreditation through an advisory committee established in the Higher Education Facilities Act (and followed here) had resulted in a greater willingness in regional accrediting agencies to grant provisional accreditation and the Commissioner pointed out that he had not appointed an advisory committee under that Act. *House Hearings, supra* note 130, at 136.

[137] *Id.* at 839, 847.

[138] *House Hearings, supra,* note 130, at 603.

[139] *Senate Hearings, supra* note 124, at 1120.

[140] A lengthy statement including a list of meetings with interested agencies, resolutions of the AAJC and the Office of Education's own list of recognized agencies was submitted. *Id.* at 1120–1122.

[141] *Id.* at 1126. Senator Yarborough informed the AAJC representative that the matter would be called to the attention of the Office of Education to make a preliminary study. *Id.* at 1120.

[142] *See* discussion *infra* at 367–368.

[143] Pub. L. 89–287, 79 Stat. 1037. The vocational student loan program was initially part of the proposed Higher Education Act but the House Committee decided to sever it, and the Senate Committee agreed. S. Rep. No. 755, 89th Cong., 1st Sess. 1–2 (1965).

Additional 1965 Legislation. Three other pieces of legislation enacted in 1965 should be briefly noted: The National Student Vocational Loan Act of 1965,[143] directed to non-postsecondary education, nevertheless provided a set of qualifying indicia if accreditation was not available, including state and ultimately federal accreditation, and authorized the Commissioner to publish a list of both voluntary and state accrediting agencies. As in the Korean GI Bill the definition was clearly geared to the exclusion of "fly-by-night" vocational training.[144]

The State Technical Services Act of 1965,[145] intended to effectuate a greater dissemination of science and technology[146] while relying on private accrediting agencies, nevertheless held open the possibility of federal accreditation. It authorized the publication of a list of both accrediting agencies and those institutions which the Commissioner found qualified following an evaluation by an advisory committee appointed by him.

Interestingly, a provision of Medicare[147] dealing with hospitals deemed an institution to have met a set of extensive definitional requirements if it was accredited by the Joint Commission on Accrediting and also authorized the Secretary of HEW to treat the requirements as met if he found that accreditation by the American Osteopathic Association "or any other national accreditation body provides reasonable assurance" that the enumerated statutory standards would be met.

1968 Legislation. Two pieces of legislation in 1968 should be noted. The Higher Education Amendments of 1968[148] reiterated the requirement of accreditation in the establishment of eligibility for fellowships for public service with the wrinkle of requiring approval and authorizing publication of a list of such agencies by the Secretary rather than the Commissioner. Interestingly, while the aid to graduate education provisions of that legislation was viewed as curbing the "disturbing trend toward conformity" and the "headlong process of professionalization"[149] no similar concern or interest seems to have been generated concerning the accreditation language.[150]

The Vocational Education Amendments of 1968[151] added a definitional section for a "private vocational training institution" to the Vocational Education Act of 1963 largely tracking the definitional section discussed previously of the National Student Vocational Loan Act of 1965, allowing alternatively for State and Federal accreditation in the event no nationally recognized private accrediting agency was found to exist. The provision originated in the House[152] and was accepted by the Senate without dispute.[153]

Education Amendments of 1972. The now traditional reliance on private accreditation was continued in three portions of the Higher Education Amendments of 1972.[154] In providing emergency assistance to institutions of higher education, the definitional section required accreditation or "satisfactory assurance," or credit transferability in lieu thereof, and authorized publication of a list in the now traditional language. Second, it amended the Higher Education Act of 1965 to include accredited collegiate and associate degree schools of nursing and defined "accredited" as meaning accredited "by a recognized body or bodies approved for such purpose by the Commissioner." It also added a definitional section dealing with proprietary institutions of higher education which required *inter alia* accreditation by a body approved by the Commissioner, and it reiterated the publication authorization for the purposes of that section. Third, it added a new definitional section to include community colleges, requiring either accreditation by a nationally recognized accrediting agency or association or the attainment of a recognized pre-accreditation status from such agency or credit transferability. No reference to the Commissioner or a publication requirement was referred to in this amendment.

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[144] "It was the determined intent, however, that the 'fly-by-night' institutions of the post-World War II era be explicitly eliminated from eligibility." S. Rep. No. 758, *supra* note — at 12. H.R. Rep. No. 308, 89th Cong., 1st Sess. (1965) noted that the House subcommittee "devoted a majority of its attention" to the problem of institutional eligibility and reiterates the Senate Committee's concern for the fly-by-night experience. *Id.* at 9. Appendix 9 of that reported listed the Office of Education's list of recognized accrediting agencies. 111 Cong. Rec. 14122 (1965) (remarks of Rep. Meeds regarding the exclusion of "fly-by-night" schools).

[145] Pub. L. 98–182, 79 Stat. 679.

[146] S. Rep. No. 421, 89th Cong., 1st Sess. (1965).

[147] Social Security Amendments of 1965, 79 Stat. 286.

[148] Pub. L. 90–575, 82 Stat. 1014.

[149] S. Rep. No. 1387, 90th Cong., 2d Sess. 53 (1968).

[150] The Conference report, H.R. Rep. No. 1938, 90th Cong., 2d Sess. (1968) lacks any attention to this matter.

[151] Pub. L. 90–576, 82 Stat. 1064.

[152] H.R. Rep. No. 1647, 90th Cong., 2d Sess. 27, 51 (1968).

[153] H.R. Rep. No. 1938, 90th Cong., 2d Sess. 46 (1968).

[154] Pub. L. 92–318, 86 Stat. 235.

It appears that these provisions did not warrant particular comment by the relevant committees[155] nor during the course of the hearings was any attention paid either to these provisions in particular or to the accreditation-reliance system in general.[156] Although the chairman of the Newman Commission testified before both bodies[157] on the criticism levelled against the higher education system in the Commission's report, its comments on accreditation was nowhere alluded to. Interestingly, Secretary Richardson did observe to the Senate Committee:

> Career ladders are so encumbered with requirements for certificates and credentials that "doing time" in school has become nearly the only avenue to advancement. Accrediting bodies have come to protect the professional views of guilds more aggressively than the changing needs and interests of consumers.[158]

This statement, however, was delivered in testimony relating to the proposed National Foundation for Higher Education which the Secretary envisaged as encouraging innovation; it had no reference to the accreditation requirements of this or any predecessor legislation.

The Challenge to Specialized Accreditation

Health Professions Educational Assistance Amendments of 1965. The conflict between generalized regional accreditation and specialized program accreditation complained of by the junior college association[159] and earlier by the American Hospital Association[160] came to the fore in a House proposed amendment to the Nurse Training Act which would have deleted the requirement of accreditation of collegiate and associate schools of nursing by a body recognized by the Commissioner (or reasonable assurance) and substituted approval by a regional association or a State approval agency.[161] The House Committee noted that a number of junior colleges were troubled by the delay and expense of multiple accreditation and were concerned about an increased reliance on specialized acreditation.[162] It concluded that the demand for manpower and the reliability of regional or state accreditation outweighed any claim to greater quality in the current system and that the accreditation provisions could be "modified" without impairing the goals of the Act.[163] In the debate in the House opponents pointed out that the amendment was inserted at the last minute in executive session and that no hearings had been held on the proposal.[164] They stressed that the measure was, in effect, an attack on the acrediting policies of the National League for Nursing, recognized by the Commissioner as the sole agency for accreditation of all nursing programs and put up a stout defense of the League's work.[165] Interestingly, the American Hospital Association had seemingly altered its position[166] and the amendment was also opposed by the Office of Education.[167] Proponents argued, in effect, that too many worthy programs were not being accredited[168] in the face of a critical demand for trained manpower and questioned the repose of governmental authority in private groups, apparently without observing any inconsistency insofar as regional accreditation is concerned.[169]

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[155] S. Rep. No. 604, 92nd Cong., 2d Sess. (1972). S. Rep. No. 798, 92nd Cong., 2nd Sess. (1972) (Conference).

[156] *Hearings on Higher Education Amendments of 1971 Before the Special Subcommittee on Education, House Committee on Education and Labor,* 92nd Cong., 1st Sess. (1971), *Hearings on Education Amendments of 1971 Before Subcommittee on Education, Senate Committee on Labor and Public Welfare,* 92nd Cong., 1st Sess. (1971).

[157] *House Hearings, id.* at 743–773, *Senate Hearings, id.* at 2461–2469.

[158] *Senate Hearings, id.* at 697.

[159] *Supra* note 137.

[160] *Supra* note 118.

[161] H.R. Rep. No. 781, 89th Cong., 1st Sess. (1965).

[162] *Id.* at 20.

[163] *Id.* at 21.

[164] 111 Cong. Rec. 22402 (1965) (remarks of Rep. Cohelan), id. at 22454, 22468 (remarks of Rep. Cunningham).

[165] *Id.* at 22402 (remarks of Rep. Cohelan), *id.* at 22394 (remarks of Rep. Vanik), *id.* at 22453 (remarks of Rep. Cunningham), *id.* at 22457 (remarks of Rep. King), *id.* at 22460 (remarks of Rep. Redlin), *id.* (remarks of Rep. Carter).

[166] *Id.* at 22455–56 (letter from American Hospital Association).

[167] Id. at 22456 (statement of the Office of Education).

[168] The Senate report pointed out that of 131 junior college nursing programs, only 3 had been fully accredited and 32 granted "reasonable assurance" of accreditation. S. Rep. No. 789, 89th Cong., 1st Sess. (1965).

By prior agreement no amendment to this section was to be offered and the debate in the House was for the information of the Senate.[170] The Senate Committee on Labor and Public Welfare struck the amendment but inserted a substitute defining an eligible program as one accredited by a body recognized for such purpose by the Commissioner "or a program accredited for the purpose of this Act" by the Commissioner.[171] It was explained that HEW Under-Secretary Cohen would hold meetings with various interested groups and would propose further legislation if needed.[172] Although HEW vigorously opposed the measure[173] the compromise was acceptable to the House advocates who had been assured that junior colleges would be adequately taken care of[174] and thus the authority of the Commissioner explicitly to accredit nursing programs became law. At no point, however, did the debate focus on the amendment to the definitional section of the 1963 Act which allowed an unaccredited institution, not eligible for accreditation due to insufficient time of operation, to be eligible for grants if the Commissioner in consultation with the Surgeon General and the appropriate accrediting body found there was "reasonable ground to expect" the school will meet accreditation standards within a reasonable period after the grant.[175]

Allied Health Professions Personnel Training Act of 1966. The House reported measure was intended to expand the eligibility of allied health programs in junior colleges.[176] It would have amended the definition of an eligible institution for reduced interest student loan insurance under the Higher Education Act of 1965 by including schools of health and diploma schools of nursing and by expanding the definition of "accredited" to include nursing schools otherwise ineligible for accreditation but for which the Commissioner found, in consultation with the accreditation agency, that there was reasonable assurance that accreditation standards would be met.[177] It would also have expanded the definition of a "training center for allied health professions" to include a division of a junior college, college or university which offers certain allied health programs and *inter alia* was or was in a college which was accredited by a body or bodies approved by the Commissioner or, if a junior college, was regionally accredited or there was "satisfactory assurance" afforded the accrediting agency to the Surgeon General that "reasonable progress is being made toward accreditation by such junior college."[178]

The Senate Committee rejected the amendment to the Higher Education Act but with minor technical alteration accepted the latter provision.[179] For those to whom multiple accreditation was undesirable, the language was viewed as a step forward[180] and it became law.[181] Interestingly, the acceptance of regional accreditation in the statute seems to foreclose, at least for the purposes of this Act, any opportunity for the Commissioner of Education to disapprove of any of those organizations under any revision of his criteria for recognizing as responsible such agencies. It posed, as well be noted later, another factor to be weighted in arriving at a conclusion as to the degree of latitude possessed by the Commissioner to alter these criteria. As in all the hearings discussed but particularly noteworthy here in view of the *statutory* reliance on regional accreditation, no testimony or statement was presented on behalf of any regional accrediting association.

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[169] Representative Moss put it, "I do not know why the Government of the United States should require a private group to spell out the standards. . . ." 111 Cong. Rec. 22461 (1965). Representative Rogers of Florida, the amendment's sponsor, noted, ". . . I do not think we ought to make these junior colleges go to a private organization—a private organization—to get their clearance before tax dollars are given to the nursing schools and students. . . ." Id. at 22462. Representative Griffin stated that, "In my view, the interpretation placed on the present law by the Commissioner of Education, requiring accreditation by this private organization, is unduly restrictive and not in the public interest." *Id.* at 22468.

[170] *Id.* at 22398.

[171] S. Rep. No. 1378, *supra* note 117 at 7. The Committee observed that it was not its intent to encourage federal accreditation of nursing schools on a "massive scale" but it did conclude that some excellent programs were not accredited which should be eligible. *Id.*

[172] *Id.* See also 111 Cong. Rec. 22645 (1965) (remarks of Sen. Hill).

[173] In a letter to the Committee, Under-Secretary Cohen pointed out that regional and state accreditation relate to the school as a whole and not to any specialized program. Accordingly, he questioned the impact on quality. In addition, he pointed out that, ". . . under existing law there is no restriction on the accrediting body or bodies which the Commissioner of Education may recognize for the purposes of this act. If he should find, therefore, that accrediting bodies other than the National League for Nursing have developed accrediting or approval programs that give attention to the quality of nurse education programs in colleges or junior colleges he could recognize these additional bodies for accreditation purposes." S. Rep. No. 1378 *supra* note 117 at 17.

[174] 111 Cong. Rec. 26496, 26497 (1965) (remarks of Reps. Rogers and Moss).

[175] 79 Stat. 1054.

[176] H.R. Rep. No. 1628, 89th Cong., 2d Sess. 17–18 (1966).

[177] *Id.* at 29, 72–73.

[178] *Id.* at 51.

[179] S. Rep. No. 1722, 89th Cong., 2d Sess. 35–36 (1966).

Health Manpower Act of 1968. An attempt had been made the prior year to delete the authority of the Commissioner to accredit schools of nursing directly under the Nurse Training Act as amended by the Health Profession Educational Assistance Amendments of 1965.[182] Under-Secretary Cohen favored the deletion of that authority on the assumption that the various institutional and accrediting agencies would arrive at a solution.[183] The situation was fully detailed in the House Committee's report which observed of the accreditation reliance system:

"In general, this method of determining eligibility of institutions and programs for Federal assistance has worked extremely well; however, it must be recognized that *as a practical matter* the requirement that an institution or program be accredited by a private nongovernmental group to qualify for assistance permits that private nongovernmental group to be in a position to determine, in accordance with its own standards and procedures, eligibility of other groups or institutions to receive Federal aid, and thereby *to a degree constitutes* a delegation of legislative power to a private organization."[184]

In view of the absence of agreement by the interested parties it was decided to let matters stand pending consideration the following year. HEW concurred.[185] Thus the dispute was renewed in the consideration of the Health Manpower Act.

The administration favored a measure deleting the Commissioner's authority and allowing him to rely on state accreditation.[186] Such reliance was opposed by the American Nurses Association[187] and the National League for Nursing.[188] It was rejected by the Senate Committee which approved, as an alternative reliance on the accreditation of the institution with which the program was affiliated.[189] Many the same arguments were raised in the House Committee[190] which again reviewed the history of the dispute noting: "As this committee pointed out in its report accompanying H.R. 6418 last year (H. Rept. 538, 89th Cong.) [sic], the provisions of existing law permitting a private organization to determine, in accordance with its own standards, eligibility of other institutions to receive Federal funds, constitutes a delegation of legislative power by the Congress to a single private organization. The committee feels that additional organizations should be designated as accredited bodies for purposes of the act, and has amended the bill correspondingly." [191]

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[180] 112 Cong. Rec. 13998 (1966) (remarks of Rep. Horton), *Hearings on Allied Health Personnel Training Act of 1966 Before the House Committee on Interstate and Foreign Commerce,* 89th Cong., 2d Sess. 36 (1966) (remarks of Rep. Rogers), *Hearings on Health Professions Personnel Before the Subcommittee on Employment and Manpower, Senate Committee on Labor and Public Welfare,* 89th Cong., 2d Sess. 151–152 (remarks of Sen. Yarborough).

[181] Pub. L. 89–751, 80 Stat. 1222.

[182] H.R. 6418, 90th Cong., 1st Sess. (1967).

[183] *Hearings on the Partnership for Health Amendments of 1967, Before the House Committee on Interstate and Foreign Commerce,* 90th Cong., 1st Sess. 35 (1967).

[184] H.R. Rep. No. 538, 90th Cong., 1st Sess. 34 (1967) (emphasis added).

[185] *Hearings on the Partnership for Health Amendments of 1967 Before the Subcommittee on Health, Senate Committee on Labor and Public Welfare,* 90th Cong., 1st Sess. 74 (1967) (remarks of Under-Secretary Cohen).

[186] *Hearings on Health Manpower Act Before the Subcommittee on Health, Senate Committee on Labor and Public Welfare,* 90th Cong., 2d Sess. 51 (1968) (testimony of Assistant Secretary for Health and Scientific Affairs, HEW). S. Rep. No. 1307, 90th Cong., 2d Sess. 9 (1968). The Assistant Secretary pointed out that the Commissioner had not exercised his authority to accredit "because of our deep reservations about this kind of Federal involvement in education." *Hearings, supra* at 82–83.

[187] *Hearings supra* note 186 at 116–119.

[188] *Id.* at 124. It pointed to the availability of "reasonable assurance" in lieu of full accreditation but Senator Yarborough noted that, "You did not give reasonable assurance until we said, 'We think the Secretary of HEW [sic] ought to accredit them.'" *Id.* at 125.

[189] S. Rep. No. 1307, *supra* note 186 at 9.

[190] *Hearings on the Health Manpower Act of 1968 Before the Subcommittee on Public Health and Welfare, House Committee on Interstate and Foreign Commerce,* 90th Cong., 2d Sess. (1968).

Accordingly it accepted suggestions of reliance on either state or institutional accreditation in addition to special program accreditation:

"The Commissioner would be required to publish a list of nationally recognized accrediting bodies, and State agencies, which he determines to be reliable authority as to the quality of training offered. The committee expects that this list will include the National League for Nursing, the Joint Commission on the Accreditation of Hospitals and the appropriate regional educational agencies that are nationally recognized as accreditation authorities." [192]

The Congressional debate reflected, as in a sense did the House Committee report, the conflict between the demand for a greater number of trained personnel [193] against the claim of quality in specialized accreditation.[194] The Act opted for more "liberalized" standards [195] by allowing reliance on state and institutional accreditation.[196]

Health Training Improvements Act of 1970. In a somewhat different context, Senator Javits sponsored a bill in 1969 which would have created an advisory group to study health personel licensure and certification.[197] His concern was reiterated in the context of considering the Health Training Improvements Act, and he was assured by the Assistant Secretary for Health and Scientific Affairs, HEW, that the Department was in the process of studying the matter.[198] Nevertheless, the Committee reported out the bill with the requirement that the Secretary of HEW report on certification and licensure [199] that eventually found its way into the Act; [200] a portion of the Secretary's report was noted at the outset.[201]

ADMINISTRATION OF THE AUTHORITY TO RECOGNIZE

Revision of criteria for recognition—1969

It was pointed out earlier [202] that the Commissioner's criteria announced in 1952 seem to reflect what was the then sound practice of the relatively few voluntary accrediting agencies, as a standard to guide future recognition decisions. In 1968, however, the Office of Education established an Accreditation and Institutional Eligibility Staff (AIES) within the Bureau of Higher Education and an Advisory Committee on Accreditation and Institutional Eligibilty.[203] The latter, composed of persons outside the government, was created to assist the Commissioner in recognizing accrediting agencies [204] and on broad policy matters. The AIES, itself composed of four units, was introduced to administer the program, serve as liaison with accrediting agencies, review procedures and the like.[205] It was responsible for the development of the revised criteria adopted by the Commissioner in 1969.[206]

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[191] H.R. Rep. No. 1634, 90th Cong., 2d Sess. 36 (1968).

[192] *Id.*

[193] *Id.* at 36–37. 114 Cong. Rec. 24773 (1968) (remarks of Rep. Jarman); *id.* at 24774 (remarks of Rep. Springer); *id.* at 24775 (remarks of Rep. Dwyer); *id.* at 24775 (remarks of Rep. Montgomery); *id.* at 24778 (remarks of Rep. Rogers); *id.* at 24775–76 (remarks of Rep. May).

[194] 114 Cong. Rec. 24776–77 (1968) (remarks of Rep. Vanik); *id.* at 24782 (remarks of Rep. Van Deerlin).

[195] *Supra* note 193, (Remarks of Rep. Jarman).

[196] Pub. L. 90–490, 82 Stat. 773. The publication requirement was also retained.

[197] S. 2753, 91st Cong., 1st Sess. (1969).

[198] *Hearings on the Health Training Improvements Act of 1970 Before the Subcommittee on Health, Senate Committee on Labor and Public Welfare*, 91st Cong., 2d Sess. 128 (1970). The Assistant Secretary pointed out that, "The challenge in this field is to balance the protection of the patient against unskilled personnel, on the one hand, and assurance of an adequate quantity of health manpower to provide the service the public needs and expects, on the other." *Id.* at 127–128.

[199] S. Rep. No. 91–1002, 91st Cong., 2d Sess. 2, 10 (1970). A portion of the report was discussed in the text accompanying note 3, *supra.*
84 Stat. 1342.

[200] 116 Cong. Rec. 36886–87 (1970) (report of the House conferees). Pub. L. 91–519,

[201] *Supra*, note 3.

[202] *Supra*.

[203] *See* Pugsley, Accreditation Policy Unit-USOE: Origins, Activities, and Current Perspectives, address of the Chief, Accreditation Policy Unit, AIES, USOE, before the 33rd Annual Convention of American Medical Technologists July 21, 1971) and Proffitt, The U.S. Office of Education, Accreditation and the Public Interest, sponsored by the USOE and the Nat'l Comm. on Accrediting (November 6, 1970). See Also Dickey & Miller, *Federal Involvement in Nongovernmental Accreditation,* 53 Educ. Rec. 138 (1972).

[204] Pugsley reports that the Committee has met 8 times since its establishment and has reviewed 41 petitions concerning recognition. Pugsley, *supra* note 203 at 8.

The revision accepted *verbatim* a significant portion of its predecessor. Considerably amplified, however, were the procedural aspects of the required accreditation process. For example, its predecessor required only the use of "qualified examiners" to visit an institution, inspect its courses, resources, facilities, and personnel, and prepare written reports and recommendations for use of the reviewing body to be conducted under impartial and objective conditions. The revision required the use of "experienced and qualified examiners" with a scope of inquiry extending into administrative practices and services. It required adequate consultation during the visit with faculty, administration and students. It required that a copy of the report be furnished the institution's chief executive and that he have an opportunity to comment prior to taking action. It required, further, that the agency evaluate the report in the presence of a member of the team and that it provide an internal avenue of appeal of its decisions.[207]

Two novel provisions, however, were not entirely of a procedural character. First, the revision required that the organization "encourage and give staff guidance for institutional or program self-study prior to accreditation."[208] Second, that the organization had "demonstrated its capability and willingness to enforce ethical practices among institutions and educational programs accredited by it."[209]

The Director of the Accreditation and Institutional Eligibility Staff has spoken of the new criteria as including "a concern that a recognized accrediting agency shall manifest an awareness of its responsibility to the public interest, as opposed to parochial education or professional interest. . . ."[210]

Criticism of the accreditation system and the proposed revisions in criteria

As the Introduction observed, increasing scrutiny (and criticism) has been directed to private accreditation. The most common criticisms seem to fall in two groups: those which fault the accrediting agencies for what they could do but have failed to do and those which find a more basic flaw which the existing structure may seemingly be incapable of correcting. The former claim such defects as the failure to evaluate scientifically the soundness of their standards,[211] failure to disseminate information useful to the "consumer,"[212] failure to update standards and policies,[213] and, failure to be open about internal proceedings.[214] The latter would assert that accrediting agencies function like trade monopolies exercising coercive power in their own, not the public interest.[215] The result is an homogenization of education, a perseverance in the status quo. Specialized accreditation comes in for particular criticism because the possibility of a conflict of interest arises when the professional group controlling accreditation may have an economic interest in lowering the production of trained personnel.[216] By far the most frequently raised question in both institutional and specialized accreditation is the lack of "accountability."[217]

In response, seemingly, to some of these criticisms the Office of Education has commenced circulating for discussion within the accrediting community, a proposal for a second revision in recognition criteria. Tentatively, this includes provisions requiring a greater responsiveness to the public interest as in requiring "public representatives" on the governing boards of recognized accrediting agencies[218] and greater public availability of information concerning its processes. The requirement that such agencies require accredited institutions to observe "ethical practices" would also be strengthened. In addition the encouragement of institutional experimentation and innovation would be required.[219]

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[205] Proffitt, *supra* note 203.

[206] 34 Fed. Reg. 643–644 (1969).

[207] *Compare* 17 Fed. Reg. 8929 (1959) (error corrected 17 Fed. Reg. 8994 (1952)) *with* 34 Fed. Reg. 643 (1969). The verbatim inclusions were, *inter alia,* that the agency or association be national or regional in scope, serve a definite need, perform no inconsistent function, make available certain information (with some modification), have an adequate organization and effective procedures (amplified in greater detail than in the earlier statement), and have gained general acceptance by institution, practitioners, etc.

[208] 34 Fed. Reg. 643, no. 5 (1969).

[209] *Id.* at no 12.

[210] Proffitt, *supra* note 203.

[211] C. Ward, *supra* note 2.

[212] Koerner, *Who Benefits From Accreditation: Special Interests or the Public?* Address in Seminar: *Accreditation and the Public Interest,* sponsored by the USOE and the Nat'l Comm. on Accrediting (Nov. 6, 1970).

[213] Pugsley, *supra* note 203.

[214] *Id.*, Koerner, *supra* note 212; Newman, *supra* note 5, HEW Report, *supra* note 4.

[215] *See* Note 3, *supra,* Koerner, *supra* note 212.

[216] C. Ward, *supra* note 2, Selden, *Dilemmas of Accreditation of Health Educational Programs,* in Staff Working Papers Part II: Study of Accreditation in Selected Health Educational Programs G–1 (1972).

[217] *Id. See also* the second draft of the Newman Report and the editorial, *Accrediting Accreditors,* The Evening Star, Washington, D.C., Sept. 5, 1972.

AUTHORITY TO RECOGNIZE AS AUTHORITY TO REGULATE

The expansive view

It appears that with the creation of the Accreditation and Institutional Eligibility Staff, the Office of Education has begun to read its authority under the various statutes far more expansively than heretofore. Its authority so to do nowhere been challenged; thus the legal underpinnings for the Office's action are not entirely clear. However, the outline of a legal justification for the move is not difficult to propose. The argument would first point out that under each of the statutes the Office of Education is given authority to determine the reliability of accrediting agencies in the exercise of its discretion as an expert administrative agency. In addition, a substantial amount of public funds is involved under these various programs, estimated at five billion dollars in fiscal year 1972.[220] Thus accrediting agencies should be viewed as delegates of governmental authority. As Secretary Richardson has put it:

"Legislation passed during the past 20 years has consistently deferred to accreditation as the primary base criterion for Federal funding. Furthermore, there has been a continuing acceptance of accreditation as a standard for evaluation by both Congress and the general public without a full understanding of its concepts or an adequate appraisal of its compatibility with legislative intent.

"With the allocation of significant amounts of public funds to students and to institutions through the eligibility for funding status provided by accrediting associations, accreditation carries with it the burdensome responsibility of public trust. Accrediting associations are functioning today in a quasi-governmental role, and their activities relate closely to the public interest."[221]

Indeed, the argument would point out that many students of accreditation have accepted the proposition that accreditation functions in the public interest[222] and, it could be asserted, that a key committee of the House in fashioning some of this legislation viewed accreditation in just that light.[223]

Moreover, the creation of AIES and the revision of recognition criteria antedates the continuation of congressional reliance on the recognition system as found most recently in the Higher Education Amendments of 1972 and thus congressional approval of the more expansive view is fairly to be implied.

Finally, the argument would conclude by noting that education has assumed an increasingly more important role in American society and that the accreditation system must be made responsive to these altered circumstances. As the Director of AIES has observed: ". . . accrediting bodies are performing an increasingly important societal role—a role in service of the broader society rather than one solely in service of the narrower educational community. And if the Federal government is going to be justified in continuing strong reliance upon private accreditation, the accrediting associations will need to more explicitly recognize their obligation to protect the public interest. We, in the Office of Education, believe that this situation offers many challenges and fruitful opportunities—along with a few pitfalls—for the Nation's accrediting bodies, and we look forward to working cooperatively and constructively on these matters in the future."[224]

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[218] *Supra* note 6. This was one of the explicit recommendations of the first Newman Report, *supra* note 4. The nation has been suggested elsewhere in Selden, *Professional Associations—Their Primary Functions*, 45 N.Y.S. Bar. J. 26, 28 (1973).

[219] *Id.*

[220] A figure quoted in F. Dickey & J. Miller, A Current Perspective on Accreditation (1972).

[221] HEW Report, *supra* note 3 at 14.

[222] C. Ward, *supra* note 2.

[223] *Supra* notes 184, 191, 192.

[224] Proffitt, *supra* note 203.

Thus as accreditation becomes a determinant for eligibility for federal funds the voluntarism of traditional accreditation simply evaporates as a practical matter and it becomes the responsibility of the federal government to assure adherence to standards reflecting the public interest. Congress, it would be concluded, did not intend to deprive the executive branch of authority to assure adequate accommodation with the public interest as a condition of extending voluntary recognition to a private accrediting agency and the determination of "reliability" is a sufficiently broad standard for the expert administrative agency to adopt recognition criteria requiring such an accommodation.

Appealing as this line of reasoning may be to those who regard tighter federal standards favorably, it does suffer from a basic, indeed fatal, infirmity—it finds no support in the statutes from which the Commissioner derives his authority.

The limited view

A Textual Analysis. Under all the statutes bearing a publication authorization, the federal role is limited to determining that a nationally recognized agency is a reliable authority as to the quality of education or training offered. This, it was noted earlier, assumes the existence of such nationally recognized bodies, that are recognized initially not by the Commissioner but by the related academic or educational community. Thus the criteria established by the Commissioner require acceptance of these bodies. Most important, the Commissioner's determination is limited to the agency's reliability concerning the *quality* of the program undergoing accreditation. While it is arguable that palpably every facet of institutional life conceivably touched on by the accreditation process may have some ultimate bearing on the quality of the program, it is clear that the recognition auhtority of the Commissioner is limited to accreditation standards directly connected with program quality.

This distinction is perhaps illustrated in the listing of nine functions of accreditation, noted in the Introduction,[225] only one of which directly relates to the current program quality—certification that pre-established standards have been met. It may be helpful to an institution to engage in a self-study and indeed such an engagement seems to be comprehended in two of the functions listed by the Commissioner—creating goals for self-improvement and involving faculty and staff in institutional evaluation and planning. However, helpful these institutional practices are, it is clear from the Commissioner's list that neither directly concerns the first function of accreditation—certification that pre-existing standards have been attained.

Legislative intent

It is curious that Secretary Richardson should point out that there has not been an adequate appraisal of the compatibility of the accreditation system with legislative intent in creating the recognition-reliance system, while the Office of Education has perforce proceeded on the assumption that its authority is fully consistent with that intent. Further, each of the relevant statutes has concerned large issues of public policy and save for the dispute on specialized or generalized accreditation in health training, little congressional attention has been devoted to the accreditation issue. Nevertheless, the legislative histories are, however slender, relatively clear.

The Korean GI bill established a facility upon which state and federal authorities could rely. The Federal role was viewed as ministerial, simply relying on the consensus in the academic community of the reliability of the agency. In addition, the need for protection from fly-by-night institutions has continued to be a factor, if perhaps no longer the predominant one, that justifies use of the accreditation-reliance system and necessarily colors the government's role with respect to those agencies.[226] Later enactments, however, saw in accreditation more of an affirmative testimonial to institutional quality than a protection from entrepreneurial abuse. Thus the achievement of accreditation was itself made a desirable institutional goal for federal purposes.[227]

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[225] Text accompanying note 21, *supra*.

[226] This includes the 1972 amendments, *e.g.* remarks of Rep. Green concerning the need for accreditation of proprietary instittuions "to avoid the situation that appeared after World War II in the GI bill." *Hearings Before the House Subcommittee, supra* note 156, at 684.

[227] *Supra* notes 131, 132.

Moreover, the enactment of alternatives to accreditation—through the credit transferability route, through giving reasonable assurance for as yet unaccredited institutions or through obtaining state or federal accreditation for institutions lacking a nationally recognized accrediting agency—cannot reasonably support a notion of an implied power to regulate in the public interest such as might be made were no alternatives provided. Congress was clearly aware, however, the impact that the existence of these alternatives would have on the accrediting agencies.[228]

Further, the Congressional response to the specialized-generalized accreditation dispute lends further support to the position arguing a limited federal role. It must be pointed out that the House report on the abortive Partnership for Health Amendments of 1967 did not conclude (as the Committee's report the following year seems to imply), that reliance on accreditation "constitutes a delegation of legislative power"[229] but rather that "as a practical matter" it had that effect "to a degree."[230] Moreover, the committee's reaction was not to provide greater federal authority over the policies of such bodies but simply to add additional accrediting agencies to remedy an apparent imbalance. As we observed earlier, without the testimony of any regional accrediting association in the hearings, the Health Manpower Act seemingly recognized those agencies as *per se* reliable. This raises the interesting question of whether the Commissioner has any authority to deny recognition, through a revision in criteria, to a non-complying regional association, at least for the purposes of that Act. On this point it should be noted that the Commissioner has not published separate lists for each of the acts authorizing publication and the single list published simply refers to the Korean GI bill and later enactments.

In sum, the legislative histories do not support the notion of accrediting agencies as delegates of Federal authority.[231] The history more reasonably suggests the continuing reliance on the existing accrediting systems as a facility much like the use of a rating system of a trade association as part of the specifications in a government contract.

CONCLUSIONS

Scope of the Commissioner's authority

This study has suggested that the role of the Office of Education in recognizing accrediting agencies is limited by the terms and intent of the legislation to a determination based largely on acceptance in the academic community of the organization's reliability in matters of educational quality. It has also suggested that the Commissioner has misconstrued that function as a more general one of policing the internal policies of these agencies as a condition of federal recognition to bring them in compliance with the Commissioner's notions of what is in the public interest. Somewhat earlier it was noted that at least a portion of the 1969 revised criteria is not directed to whether the agency is reliable in ascertaining adherence to predetermined standards. This trend is accelerated in the proposed revision now being circulated, particularly with respect to the requirement of public memberships on accreditation governing boards and the encouragement of innovation.

The need for congressional consideration

While the Office of Education now seeks to make accrediting agencies responsive to the public interest "as opposed to parochial educational or professional interest"[232] the legislative histories make it abundantly clear that the system of federal reliance was based on those agencies functioning precisely in the "service of the narrower educational community."[233] Thus any alteration in the system so established requires congressional action.

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[228] *Supra* note 136.

[229] *Supra* note 191.

[230] *Supra* note 184.

[231] The re-enactment argument is simply weightless inasmuch as the record is clear that the relevant committees never considered the accreditation-reliance system at the time of the 1972 amendments. *Supra* note 156. Interestingly, it appears that the General Counsel's Office of HEW prepared and made available a memorandum of June 19, 1970 concerning the delegation issue in the recognition-reliance system. In it the Office relies on the independent role of private accrediting agencies as minimizing any constitutional problem. ". . . private agencies undertake to accredit schools for many reasons other than Federal aid eligibility. Accreditation is generally considered to be the single most reliable indicator of institutional quality in higher education, and private accrediting agencies play a broad role—apart from the role placed upon them by the statutory provisions noted above—in maintaining and improving educational standards. *The Federal-aid statutes merely take cognizance of this well-established system.*" (Emphasis added.) This study concludes that the emphasized language of the General Counsel's memorandum is accurate.

[232] Proffitt, quote accompanying note 210.

Moreover, the conflict between claims of professional expertise and public accountability in eligibility for federal funds is squarely a matter for legislative treatment. It was this kind of issue in health training that resulted in the demonopolization of specialized accreditation. Whether or not one agrees with the balance struck it is clearly the role of Congress to strike it. Thus from an institutional perspective, whatever one's conclusions of the desirability of the current recognition-reliance system, one is justified in registering *dubitante* when an administrative agency seeks, without legislative authorization, to protect an ill-defined "public interest." It would, however, be premature to suggest the content of such further legislation. That must await the detailed findings of the Brookings study as illuminated by discussion of them, and, hopefully, by Congressional hearings.

Mr. KIRKWOOD. If there are any questions, I shall be happy to answer them.

Mr. O'HARA. Thank you very much, Mr. Kirkwood.

Mr. Kirkwood, you speak of a problem at the top of page 4 that I would like you to give us a little more information on. You say that many complex universities and community colleges have to cope with institutional accreditation along with a number of specialized or professional accrediting agencies as well.

Let us take a community college as an example. If a community college in my congressional district or Mr. Quie's congressional district was accredited by the North Central Accrediting Commission, do they need more for some of these Federal programs?

Mr. KIRKWOOD. In some cases, because of State laws for licensure and certification or those for qualifying to sit for certain types of examinations, the applicants or candidates have to be graduates of an accredited program or school so that in some cases because of those State laws, in addition to institutional or regional accreditation, the institution must also have certain types of specialized accreditations. Nursing, for example, might be an example at the community college level in some States.

Mr. O'HARA. And in the university regarding medical schools?

Mr. KIRKWOOD. Very often. Most of the professional schools.

Mr. O'HARA. Is there a tendency towards a proliferation toward these kinds of accrediting agencies for the kinds of programs that are found in community colleges? For instance, we speak of nursing as one example. Can you think of some other example?

Mr. KIRKWOOD. Well, of course the whole allied health field has been burgeoning in recent years, and with each new specialty a new group arises in which it and only it has the approval to authorize or approve a program. There has been a very serious problem in the community colleges, in those particularly with heavy emphasis on allied health studies.

Mr. O'HARA. I understand. The business of enlisting the accrediting agencies as enforcement arms of the Federal Government is something that concerns me. I had not realized the extent to which this was being done. I wonder if you could give us some notion of just what you have in mind with respect to that complaint.

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[233] Proffitt, quote accompanying note 224.

Does it have to do with the affirmative action field, or are there others as well?

Mr. **Kirkwood**. Well, in the latest version of the Commissioner's criteria for recognizing accrediting agencies, there are a couple of stipulations. One, for example, that accrediting agency must insist an institution has a refund policy. There was a time when we were being pressured to specify the nature of the refund policy, and we refused to do that simply because we do not see it as our position to take over the policymaking authority of an educational institution. We have not done that in our accrediting activities, and we are not interested in doing it now.

But there is a stipulation that unless we include in our criteria for reviewing an institution that it have a very clearly stated refund policy, this would be one of the criteria on which perhaps we might be denied recognition by the Commissioner. The point was mentioned on discrimination, that we must make very clear that there shall be no discrimination on the basis of sex, race, or any other unnecessary attributes.

The point I think is that these are first steps. But once we begin seeing to it that institutions have ehis or that then the question arises, what next and how far? I think there is now some very serious misgivings on the part of many of us that the Federal Government may see itself moving into accrediting activities.

Mr. **O'Hara**. You see, you present us with something of a dilemma. You say on the one hand that you don't want the Federal Government—you decry the way in which the Federal Government is calling upon the accrediting agencies to adop certain criteria as part of the accrediting process or being in danger of losing their approved status. Also, on the other hand, you suggested in your presentation that you don't want the Federal Government to get into what amounts ot the accrediting business. You call attenion to the paper by Mathew Finkin which I haven't had a chance to read yet, so I can't comment on that.

But you say the greatest threat in co-optation is the possibility of placing the Federal Government directly in a position to take over the accrediting process. Then you say that the Newman Commission's recommendations would simply extend the Federal Government's role into accrediting, inevitably, thereby increasing its control over postsecondary education.

So, all right. On the one hand we continue to make the accrediting agency the arm of the Federal compliance. But you say if you adopt the Newman dual approach, you make the Federal Government the accrediting agency, and that is bad. You suggest we ought to get more States to adopt the standards, that we might go for the HEGIS examination, although I m not so sure that s entirely different from what Newman suggests.

What would be the difference, really, between the proposal put forward by Dr. Dickey with respect to a review of the HEGIS information and a determination of eligibility on that basis? Wouldn't that be consistent with the Newman recommendation?

Mr. **Kirkwood.** Well, the only mention of accreditation in the second Newman report is rather limited. It is difficult to judge There was to be a full separate report on accreditation prepared by the Newman Commission, the second Newman Commission, but we have never seen a copy of that. As you describe the use of the HEGIS report in light of the statement that was being discussed by Mr. Fulton, there would be a very similar use. One of the dilemmas you point out is real, and we have discussed it at some length, we being the staff members and president of the federation council and members of the Newman Commission, about 2 years ago. One of the problems over which we really grappled extensively without very successful results was the problem of drawing a line between determining the essentials that the Government needs to know in order to invest its funds in an institution or make it eligible for participation, and making value judgments about the quality of the institution. Many of the Newman people agreed that it would be very difficult to draw the line.

Now, the uses of course that they would be interested in making of such information are quite different from the uses we are interested in making. We are really much more concerned with the internal working and development and quality of the institution and in facilitating the achievement of that quality, whereas the Government is concerned primarily with stability and with continuity.

Now, if some way could be devised—and I think the HEGIS form may be a way of doing that—it would to a considerable extent eliminate the need for value judgments being made at the Federal level.

Mr. **O'Hara.** If we could work out a combination between independent accrediting agencies and the examination of the HEGIS form to determine some other things, that might be a fairly sensivle approach. I want to take a good hard look at the HEGIS form and try to determine just what kinds of things could be done.

I agree with you. I don't want that Federal Government getting into the assessment of quality, with the Office of Education getting into the assessment of the quality of the academic program. I would think that the Federal role might be one of simply requiring truthful advertising and requiring that certain kinds of information be made available to prospective students about what the dropout rate at the institution is, the number that complete their training, their programs, and perhaps some information about what happened to those people after they got out. Then it is up to the student, once it is an accredited institution, it is up to the student to decode if he feels that it provides the kinds of opportunities that he wants.

Mr. **Kirkwood.** There might be another way of getting at the problem, and it is not necessarily related to accreditation. I think perhaps one of the greatest weaknesses in our massive educational structure today is in the area of counseling. This I think you will recognize is where we have the most work to do. There are many of us who are beginning to think in terms of having, instead of concentrated counseling services within the high school or elementary schools, of developing community educational counseling centers where a great deal of useful information could be available to students or to prospective students or to their parents. I think in some ways this would help to eliminate the misjudgments or mistakes that so many people make by going to what may be a questionable or in some cases even a worthless kind of educational institution.

Mr. O'Hara. I think that is a problem, and I don't know that a community-based concept would be any better a system. That is a separate issue.

Mr. Kirkwood. A whole separate issue.

Mr. O'Hara. A very complex and difficult one at that. I certainly agree with you that one of the steps we ought to be taking is to encourage the States to develop improved licensing procedures. I think we ought to encourage the adoption of the E.C.S. statute or something similar to it. One of the ideas that I have been talking about, in the process of thinking out loud during these hearings, has been the notion of higher educational revenue sharing which you give a certain amount of money to the State and say, all right, use this to improve your system, improve the opportunities for citizens of your State to obtain postsecondary education, and you fit it in with whatever system you have adopted.

Of course you could impose conditions on the State instead of one State having a tough licensure law for which you have adequate enforcement capability and actual enforcement.

Mr. Kirkwood. Quite frankly, I think that is the only way it is going to be brought about. I don't think in most cases there are enough people in many of the States who are aware of or sufficiently concerned about this problem. I think if the procedure you outlined could be established, it would move things much more rapidly.

Mr. O'Hara. Mr. Quie, do you have any questions?

Mr. Quie. Yes. We looked at accreditation of vocational-technical schools in 1972. We felt the regional agencies were moving too slowly. So we gave the authority for the States and technical schools to do their own accreditation.

Did that have any effect on the regional agencies to speed up their efforts for becoming accreditated for these postsecondary schools?

Mr. Kirkwood. Actually, I am surprised it was as recent as 1972 that this question came up, because all of the regionals have been working with vocational and technical institutions since the early 1960's. They have done it in somewhat different ways, but in contrast to the point Mr. Fulton made, the North Central Commission, for example, has worked for vocational institutions for several years now. All of the other regionals have done so similarly. Some have been working with them as long as 30 years. The problems vary considerably. But I think there was a great deal of misunderstanding and in some cases perhaps misinformation about the role of regionals with respect to vocational education.

Mr. Quie. Does that happen in North Central? For example, Minnesota didn't have any vocational-tech schools that were accredited.

Mr. KIRKWOOD. I can't remember whether it was Minnesota or Wisconsin. One of the two first had to develop their own program of vocational schools and so on. But later they did develop a very close working relationship with the North Central Commission. As far as I know, the schools out there have fared very well under the accrediting program.

Mr. QUIE. I thought that was Michigan?

Mr. KIRKWOOD. No.

Mr. QUIE. Weren't the Michigan schools the first ones that were accredited under the North Central Commission?

Mr. KIRKWOOD. I think so.

Mr. QUIE. Is there a possibility that your organization and the National Commission on Accreditation will merge?

Mr. KIRKWOOD. As Mr. Dickey said, there are plans under way, and the agreement has been reached in strong terms now to join these two organizations into a simple agency to be known as the Council on Postsecondary Education. Our target is to have it in effect in operation on January 1. 1975.

Mr. QUIE. Is there any possibility this would move for monolithic decisionmaking there the same as the Federal Government?

Mr. KIRKWOOD. Well, anything is possible in this world. I should never say it isn't. But I think it is quite unlikely, because we have such a diversity of representation. There will be a board of this council comprised of 36 members, some of whom will be representatives of institutions, some of whom will be appointed by various public agencies and some of whom will be citizens with no relationship to any agency whatsoever. At least a quarter of the total board will be public representatives with no direct involvement in education as such.

I think the diversity in our federation council (for example, we have approximately a quarter of our membership which is public representatives and there were many people who for many years were uneasy about the idea of bringing non-educators in accrediting activities), our experience with public representatives has just been marvelous. They add a dimension of perspective, a questioning and challenging point of view which I think is highly desirable, and I hope will be continued in the new council.

Mr. QUIE. Thank you, very much.

Mr. O'HARA. Thank you.

Mr. KIRKWOOD. Thank you very much.

[Material on the merger of the two organizations follows:]

NEWS RELEASE, APRIL 11, 1974

Plans have been approved to merge the two national associations currently responsible for coordinating and monitoring accreditation of postsecondary institutions and programs.

In official actions taken respectively in Chicago and Atlanta, the board of the National Commission on Accrediting (NCA) and the Council of the Federation of Regional Accrediting Commissions of Higher Education (FRACHE) approved in principle a merger of the two organizations. Such a step has been discussed for several years, but the details have been worked out by a special liaison committee which was appointed last September.

The new organization, to be known as the Council on Postsecondary Accreditation (COPA), will embrace a wider spectrum of accrediting activities than heretofore engaged in by either organization. It will also include on its governing board representatives from both the non-profit and proprietary sectors of higher education, specialized and professional groups, trade and technical schools, the Federal and state governments, college trustees, and public citizens.

The new Council is designed to be a national nongovernmental body for ensuring that all accrediting activities affecting postsecondary education are conducted in a professional and equitable manner, thereby lending a greater assurance to both the educational community and to the public at large that the institutions are delivering quality educational offerings.

A hallmark of the accrediting process has been its capacity to promote institutional and programmatic improvement. This will be a continued overall purpose of the new Council, according to Frank G. Dickey and Robert Kirkwood, Executive Directors respectively of NCA and FRACHE. The new Council will not itself serve as an accrediting agency of institutions or their programs.

In expressing their pleasure at the prospect of the merger, the Directors said that both economy and efficiency will be achieved. A saving of $100,000 annually to the institutions in membership dues is anticipated. The formation of one unified national body through which all postsecondary educational accrediting activities can be coordinated and to which all accrediting problems may be channeled is expected to strengthen nongovernmental accreditation significantly.

As proposed, the merger plan calls for COPA to be fully operative by January 1, 1975. Ratification of the bylaws by various constituent organizations is expected to be finalized in November or early December. Formal dissolution of NCA and FRACHE and merging of assets and some staff will occur concurrently with incorporation of the new organization.

Dana B. Hamel, Chancellor of the Virginia State Community College System, was chairman of the committee which developed the detailed merger plan. Serving with him were Louis T. Benezet, President, State University of New York at Albany; Donald Blanchard, Vice President, Sunbeam Corporation; Lloyd H. Elliott, President, The George Washington University; Thomas J. Ginley, Secretary, Council on Dental Education of the American Dental Association; Robert R. Ramsey, Jr., Director of Evaluation, Commission on Institutions of Higher Education, New England Association of Schools and Colleges; and J. L. Zwingle, President-Emeritus of the Association of Governing Boards of Universities and Colleges.

BACKGROUND INFORMATION

The NCA was founded in 1949 at the request of collegiate institutions to serve as their national agents for recognizing professional groups to accredit specialized programs of instruction within the institutions—such specialties as medicine, law, engineering and dentistry. Since World War II many professional groups have been vying for the privilege of conducting these specialized accreditations. One responsibility of the NCA has been to review the activities of petitioning professional groups and where judged necessary, to assign the accrediting authority to the best qualified. In doing so the NCA has striven to promote a consistency of quality among accredited educational programs. To date, the NCA has recognized 35 professional and specialized agencies to accredit programs. Only five have been recognized in the past eight years although as many as fifty have applied.

The FRACHE also began in 1949 as a forum for discussion and exchange of ideas and information among the regional accrediting commissions in the United States. (There are now nine such commissions related to six regional associations.) These commissions, for almost a century, have had the responsibility for accrediting the public and private non-profit institutions of higher education in the Nation and its territories. The education explosion of the 1960's caused these autonomous commissions to seek greater coordination of accrediting policies and procedures reorganized and strengthened, a full-time staff was authorized, and a national office was opened in Washington in September, 1972.

BYLAWS AND FINANCE PLAN FOR THE COUNCIL ON POSTSECONDARY ACCREDITATION

(Approved by the Executive Committees of Federation of Regional Accrediting Commissions of Higher Education and National Commission on Accrediting)

Preamble

Postsecondary education in the United States derives its strength and excellence from the unique and diverse character of its many individual institutions. Such qualities are best sustained and extended by the freedom of these institutions to determine their own objectives and to experiment in the ways and means of education within the framework of their respective authority and responsibilities.

Public as well as educational needs must be served simultaneously in determining and fostering standards of quality and integrity in the institutions and such specialized programs as they offer. Accreditation, conducted through nongovernmental institutional and specialized agencies, provides a major means for meeting these needs.

The Council on Postsecondary Accreditation is a nongovernmental organization intended to foster and facilitate the role of these accrediting agencies in promoting and ensuring the quality and diversity of American postsecondary education. The accrediting agencies, while established and supported by their membership, are intended to serve the broader interests of society as well. To achieve these ends, the Council recognizes, coordinates, and periodically reviews the work of its member accrediting agencies, determines the appropriateness of existing or proposed accrediting activities, and performs other related functions in accord with the following bylaws:

Bylaws

ARTICLE I—NAME, SEAL, AND OFFICES

Sec. 1:01. Name.

The name of this organization is the Council of Postsecondary Accreditation, Inc. (hereinafter referred to as the "Council"), a nonprofit corporation organized under the District of Columbia Non-Profit Corporation Act exclusively for educational, scientific, research, mutual improvement, and professional purposes.

Sec. 1:02. Seal.

The seal of the corporation shall be circular in form and shall bear on the upper portion of the outer circle the title of the Council and on the lower portion of the outer circle the words "Washington, D.C." In the center of the seal shall appear the words "Corporate Seal." The Board of the Council (hereinafter referred to as the "Board") may change the form of the seal or the inscription thereon at its discretion.

Sec. 1:03. Offices.

The principal office of the Council shall be located in Washington, D.C. In accord with the corporation laws of the District of Columbia, the Council may have other offices within or without the District of Columbia as the Board may from time to time determine.

ARTICLE II—PURPOSE

The Council shall have the necessary and incidental powers to carry out its corporate purposes, among which shall be to:

(a) Promote the improvement of postsecondary education, principally through the process of accreditation and such other means as it shall devise;

(b) Review continuously the accrediting practices of all its members to assure the integrity and consistency of their policies and procedures and to safeguard the freedom and quality of postsecondary educational institutions and programs;

(c) Promote the interests of the educational consumer, including provisions for direct public representation in the conduct of the affairs of the Council;

(d) Develop systematic procedures for recognizing institutional and specialized accrediting agencies;

(e) Develop policies and procedures for the coordination of accrediting activities, to be implemented by the appropriate member agencies or regional commissions, in the best interests of the educational institutions affected;

(f) Insure that each member accrediting agency of the Council shall provide clearly defined procedures for handling appeals through due process;

(g) Establish, promote, or direct research programs for the purpose of improving methods and techniques of accrediting as a vehicle for improving postsecondary education;

(h) Cooperate on accreditation and related matters with educational institutions and organizations, foundations, and agencies of government;

(i) Represent and speak for postsecondary accreditation at the national level, provided, however, that this shall not preclude individual views of any organizational member of the Council or of any member of the Board from being presented before any governmental or other body.

(j) Conduct an informational program to promote understanding and effective utilization of the accrediting process, including but not limited to collection, publication, and distribution of information pertinent to accreditation;

(k) Prepare and distribute annually a list of member accrediting agencies;

(l) Provide for periodic publication and distribution of a listing of all institutions and programs accredited by member agencies;

(m) Undertake such other desirable and appropriate activities as the Board may determine.

ARTICLE III—ACCREDITATION

Each member of the Council shall have the responsibility as determined by the Board for the evaluation and accreditation of postsecondary institutions or programs. The accreditation of a postsecondary institution or program by one member of the Council shall be recognized by all other members; provided, however, that such recognition shall not in any manner infringe upon the independence of each institution to choose or admit students in accordance with its own policies. The Council shall serve in a recognizing, reviewing, and coordinating capacity but shall not be an accrediting agency for individual institutions or educational programs.

ARTICLE IV—MEMBERSHIP AND OFFICERS

Sec. 4:01. Membership.

The Council membership initially shall consist of the member accrediting commissions of the Federation of Regional Accrediting Commissions of Higher Education (FRACHE) and the accrediting agencies of the Council of Specialized Accrediting Agencies (CSAA) recognized by the National Commission on Accrediting as of January 1, 1975, and the accrediting commissions of the American Association of Bible Colleges (AABC), the Association of Independent Colleges and Schools (AICS), the National Association of Trade and Technical Schools (NATTS), and the National Home Study Council (NHSC).

The Board shall establish policies and procedures for admitting new members to the Council. Membership in the Council shall be synonomous with recognition by the Board of an agency's accrediting activities, which shall be subject to periodic review, and may be obtained or terminated only by a two-thirds vote of the total membership of the Board.

Sec. 4:02. Officers.

Officers of the Council shall be the officers of the Board as hereinafter provided.

ARTICLE V—THE BOARD

Sec. 5:01. General powers.

The activities of the Council shall be managed by its Board. All the coporate powers, except as otherwise provided for in the Articles of Incorporation and these bylaws, shall be and are hereby vested in and shall be exercised by the Board as provided in the Articles of Incorporation of the Council.

Sec. 5:02. Number and Qualifications.

The Board shall consist of 36 members chosen with due regard for institutional, geographic, professional, and other considerations appropriate to ensuring broad representation as follows:

	Amount
Institutional representatives:	
(*a*) 2 appointed by the postsecondary accrediting commissions in each geographical area (Middle States, New England, North Central, Northwest, Southern, and Western) as determined by the respective commissions with preference urged that those appointed be heads of institutions	12
(*b*) 1 each appointed by:	
American Association of Community and Junior Colleges	1
American Association of State Colleges and Universities	1
Association of American Colleges	1
Association of American Universities	1
Association of Urban Universities	1
National Association of State Universities and land-grant colleges	1
(*c*) 1 appointed by the Board of the American Council on Education	1
(*d*) 4 appointed by the Council of Specialized Accrediting Agencies	4
(*e*) 1 appointed by:	
American Association of Bible Colleges	1
Association of Independent Colleges and Schools	1
National Association of Trade and Technical Schools	1
National Home Study Council	1
Public representatives:	
(*f*) 2 appointed by the Education Commission of the States	2
(*g*) 1 named by the U.S. Commissioner of Education from the Advisory Committee on Accreditation and Institutional Eligibility	1
(*h*) 1 appointed by the Association of Governing Boards of Universities and Colleges	1
(*i*) 5 to be selected from outside the academic or accrediting community by the board at its first meeting and thereafter by the board as it shall determine	5
Total membership of the board	36

Staff persons of the agencies represented in the Council may attend meetings and serve as consultants or observers but shall not be members of the Board. Executives and/or representatives from other accrediting or educational constituencies, e.g., members of the Council of Regional School Accrediting Commissions or the State Higher Education Executive Officers organization, also may be invited to Board meetings as observers.

Sec. 5:03. Terms of office.

(a) The term of office of each Board member shall normally be for three years. However, to assure that approximately one-third of the Board shall be elected each year, the Board shall make provisions for deciding which initial members shall serve for terms of less than three years.

(b) No member shall serve more than two consecutive three-year terms.

(c) Each person selected for membership on the Board shall be given written notice of his appointment by the President of the Council.

(d) A Board member shall become ineligible to serve if he changes professional positions and assumes professional duties outside the jurisdiction which provided for his initial selection to the Board.

(e) Unexpired terms of Board members shall be filled in the same manner in which the original selection was made and such new appointees shall assume office immediately.

(f) Except for the members selected to the initial Board under these bylaws, all of whom shall assume office at a called organizational meeting, all new members of the Board shall take office immediately following the annual meeting of the Board.

Sec. 5:04. Officers of the board, terms, and duties.

Officers of the Board shall be a Chairman, a Vice Chairman, and a Secretary-Treasurer, each of whom shall be elected at an annual meeting by the full Board, shall serve for terms of two years, and shall be eligible for reelection for one additional term. They shall take office immediately following the annual meeting at which they are elected. As previously noted, the officers of the Board shall be deemed to be officers of the Council and as hereinafter provided shall be members and officers of the Executive Committee. A vacancy in an office may be filled by the Board for the unexpired portion of the term.

(a) The Chairman shall preside at all meetings of the Board and of the Executive Committee. He shall perform all duties which are usually attendant upon this office, and such duties as may be prescribed by the Board.

(b) The Vice Chairman, in the absence of the Chairman, shall perform the duties of the Chairman and when so acting shall exercise the powers of the Chairman as prescribed in these bylaws. He also shall perform such other duties as may be assigned to him by the Chairman.

(c) The Secretary-Treasurer shall perform such duties as are usually attendant upon this office or as may be delegated or assigned him by the Chairman. In the absence or disability of the Secretary-Treasurer the Chairman or Vice Chairman may sign all papers normally requiring the signature of the Secretary-Treasurer.

Sec. 5:05. Meetings.

(a) Regular Meetings. The Board shall have an annual meeting and such other meetings as may be necessary at the time and place designated by the Board. Written notice shall be given at least ten (10) days prior to each meeting.

(b) Special Meetings. Special meetings of the Board may be called by the Chairman (or the President acting as his agent) or at the request of any ten (10) members of the Board. The President shall fix the time and place for special meetings. Written notice shall be given at least ten (10) days prior to each special meeting.

Sec. 5:06. Quorum and manner of acting.

Fifty-one percent (51%) of the Board membership shall constitute a quorum for purposes of carrying on the work of the Board. Except as may be otherwise provided in these bylaws, actions shall be taken on affirmative vote of a majority of the members of the Board present at any regular or special meeting. Proposals for action may be placed before the Board by any of its officers or members or any member of the Council. Routine matters will be acted upon at the same meeting where they are presented. Major substantive proposals ordinarily will not be acted upon at the meeting at which they are first introduced unless they have been circulated to all Board members at least fifteen (15) days prior to the meeting, or unless such action is approved by two-thirds of the members present and voting.

Sec. 5:07. Minutes.

The draft minutes of the Board shall be sent to each member thereof, to each member of the Council, and to such other agencies or individuals as the Board may designate. The draft minutes of the Board, or of any committee thereof, shall not become the official minutes of the Board or such committee, as the case may be, until approved by the Board or such committee present at the meeting for which the minutes are prepared.

Sec. 5:08. Compensation.

Board members shall receive no compensation for their services, but shall be reimbursed for travel and other necessary expenses incurred when performing services for the Board.

ARTICLE VI EXECUTIVE COMMITTEE

Sec. 6:01. Membership, election, and terms of office.

There shall be an Executive Committee of the Board composed of seven members to include the Chairman, Vice Chairman, and Secretary-Treasurer, and four other members of the Board. It is expected that the Executive Committee will be broadly representative of the constituencies represented on the Board. The officers and other members of the Executive Committee shall be elected at an annual meeting of the Board to serve for two years and are eligible for election to one other term. They shall take office immediately following the annual meeting at which they are elected.

Sec. 6:02. General powers.

The Executive Committee shall have and may exercise all of the powers of the Board during the interim period between meetings of the Board, except the Executive Committee shall not have the power to amend these bylaws or to pass on membership or discontinuance of membership. The Board may specifically reserve certain powers to itself, or specifically assign them to other committees or officers.

Sec. 6:03. Meetings.

The Executive Committee shall meet at least semi-annually and at such other times as may become necessary. Meetings of the Executive Committee may be called by the Chairman, or in his absence or disability by the Vice Chairman. Written notice shall be given a minimum of five days before such meetings to each member of the Executive Committee at his address shown on the records of the Council, except that the written notice may be waived provided an emergency exists and each committee member is otherwise notified. A majority of the membership of the Executive Committee shall constitute a quorum.

Sec. 6:04. Reporting.

The Executive Committee shall report to the Board at each of the Board's regular or special meetings presenting a summary of the committee's activities since the last previous meeting of the Board.

Sec. 6:05. Compensation.

Members of the Executive Committee shall receive no compensation for their services but shall be reimbursed for travel and other necessary expenses incurred in fulfilling their duties as committee members.

ARTICLE VII—ADMINISTRATION

Sec. 7:01. The president.

The Board shall appoint a President to serve at its pleasure as the chief executive staff officer of the Council, and shall fix the duties, responsibilities, and emoluments of the position.

The President shall provide leadership in carrying on the work of the Council, shall represent and express the views of the Council when and where appropriate, and shall serve as the custodian of the corporate records. He shall see that all notices are duly given in accordance with these bylaws or as required by law; arrange for meetings, printing, mailing, and the like; serve as an ex officio member of all committees of the Council; keep the official minutes of all meetings of the Board, the Executive Committee, and all special committees; and coordinate Council studies and research projects. He shall receive and collect dues and other obligations to the Council, pay its debts, manage its assets, and otherwise perform the functions of business manager.

In addition, the President shall perform such other duties as may be assigned by the Board or the Executive Committee to effectuate the corporate purposes of the Council.

Sec. 7:02. Staff.

The President shall appoint professional and support personnel as needed in consultation with and on terms approved by the Executive Committee.

Sec. 7:03. Annual report.

The President shall make each year at the annual meeting a written report on the affairs of the Council. Such report shall be made to the Board, which may authorize its further distribution.

ARTICLE VIII—FINANCES

Sec. 8:01. Dues.

The Board shall be responsible for the finances of the Council, shall fix the dues or assessments to be levied for its support, and shall be empowered to seek and accept funds from various sources if and when deemed desirable for carrying on the purposes of the Council.

Sec. 8:02. Budget.

The Board shall approve an annual budget for the operation of the Council. It shall also approve emergency appropriations and/or assessments.

Sec. 8:03. Audit.

The finances of the Council shall be audited each year by a certified public accountant or firm and such auditor or firm shall submit a written report immediately following the end of each fiscal year. Copies of the written report shall be provided to the officers and shall be available to each member of the Board. Summaries of the audit report shall be circulated to each member of the Board and to each member of the Council. The fiscal year for the Council begins on July 1 each year and ends on June 30 of the succeeding year.

ARTICLE IX—OTHER COMMITTEES

The Board, in addition to the Executive Committee, may establish such other committees and assign their duties as it deems necessary to carry out the functions of the Board or the Council. Members of such committees need not be members of the Board. Expenses incurred by committee members in fulfillment of their duties shall be reimbursed by the Council, except as otherwise provided.

ARTICLE X—POWER OF ATTORNEY

The Chairman, Vice Chairman, Secretary-Treasurer, and President shall have authority as attorney in fact to execute and acknowledge on behalf of the corporation, legal documents or other instruments in connection with the operations of the corporation as approved generally and specifically by the Executive Committee or the Board.

ARTICLE XI—BONDING

The Secretary-Treasurer, President, and such other officers and employees as required by the Board shall be bonded at the expense of the Council in the amounts determined by the Board.

ARTICLE XII—REMOVAL

Sec. 12:01. The executive officer(s).

The executive officer or agent appointed or elected by the Board may be removed by a two-thirds vote of the total membership of the Board at any regular meeting or special meeting called for that purpose.

Sec. 12:02. The board members.

Any Board member absent without cause from two consecutive meetings of the Board may be removed and the name of a new member shall be requested from the agency originally making the appointment. In that event, the replacement shall be eligible for election to one additional full term on the Board.

ARTICLE XIII—ADMINISTRATION OF PROPERTY

Sec. 13:01. General powers.

The Board, representing the corporation, shall have the power to sue and be sued, to purchase, take, receive, lease, take by gift, devise or bequest, or otherwise acquire, own, hold, improve, use and otherwise deal in and with real or personal property, or any interest therein, wherever situated; to sell, convey, mortgage, pledge, lease, exchange, transfer, and otherwise dispose of all or any part of its property and assets; to lend money to and otherwise assist its employees other than its officers and directors; to make contracts and incur liabilities, borrow money at such rates of interest as the corporation may determine, issue its notes, bonds, and other obligations, and secure its obligations by mortgage or pledge of all or any of its property, franchises and income; to conduct its affairs, carry on its operations, hold property, and have offices and exercise the powers granted by this charter in any part of the world; to elect or appoint officers and agents of the corporation, and define their duties and fix their compensation; to make and altar bylaws, not inconsistent with its Charter or with the laws of the District of Columbia, for the administration and regulation of the affairs of the Corporation. Notwithstanding the above, the Council shall not engage in any business or other activity which is not in the furtherance of and exclusively for its educational, scientific, research, mutual improvement, and professional purposes.

Sec. 13:02. Funds.

The funds of the corporation shall be deposited in such depositories as may be approved by the Board or the Executive Committee, but such depositing authority may be delegated by them to the President.

Sec. 13:03. Litigation.

The corporation shall defend against suit or legal proceedings, pay the expenses and indemnify against judgment or less of any Board member, officer, agent or employee or former Board member, officer, agent or employee of the corporation arising out of his connection with or activities on behalf of the corporation provided he is not guilty of bad faith. This provision shall not be deemed to be exclusive of any other rights to which such person may be entitled under any bylaw, agreement, vote of Board or Executive Committee, or members, otherwise.

ARTICLE XIV—AMENDMENTS

Amendments to these bylaws may be proposed by any member of the Board or by any member of the Council. Such amendments shall be submitted to the Board at least thirty (30) days prior to consideration thereof by the Board. Any such amendment shall be adopted by a two-thirds vote of the total membership of the Board, and shall become effective at such date as it shall determine.

ARTICLE XV—PROCEDURE

Robert's Rules of Order, Revised, shall govern all meetings of the Board, the Executive Committee and parliamentary procedures of the Council insofar as they are not inconsistent with applicable statutes, the Charter, and these bylaws, unless other specific procedure is provided by the Board.

ARTICLE XVI—DISSOLUTION

The Council may be dissolved, or merged with another similar corporation carrying on substantially the same activities, upon approval of a plan of dissolution adopted by a two-thirds vote of the total membership of the Board. Such a plan of dissolution shall provide for the complete payment and discharge of all corporate obligations before disposition of the net corporate assets, which may then be distributed equally among such constituent members of this corporation or their successors as are in existence, actively engaged, and qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code of 1954 (or the corresponding provisions of any future United States Internal Revenue Law).

PLAN FOR FINANCING THE COUNCIL ON POSTSECONDARY ACCREDITATION

The plan for financing COPA approved by the Executive Committees of FRACHE and NCA allocates the sources of income among the constituent members as follows:

Institutional dues (to be assessed through the institutional accrediting commissions): $60 per accredited institution × 3,443 institutions		$206, 580
Sustaining fees (institutional membership organizations: $1,000 per organization × 7 organizations		7, 000
Specialized accrediting agencies:		
1–50 accredited programs	$250. 00×13 =	3, 250
51–100 accredited programs	500. 00×11 =	5, 500
101–150 accredited programs	750. 00×3 =	2, 250
151–200 accredited programs	1000. 00×0 =	0
201- or more accredited programs	1250. 00×7 =	8, 750
Total		19, 750
Projected total income:		
Institutions		206, 580
Membership organizations		7, 000
Specialized agencies		19, 750
		233, 330

PROJECTED SOURCES OF INCOME

Specialized accrediting agencies	Number of accredited programs	Basic sustaining fee
1. Accrediting Commission on Graduate Education for Hospital Administration	30	$250
2. American Association of Collegiate Schools of Business	56	500
3. American Association of Theological Schools	136	750
4. American Bar Association	146	750
5. American Chemical Society	398	1, 250
6. American Council on Education for Journalism	57	500
7. American Council on Pharmaceutical Education	74	500
8. American Dental Association (Council on Dental Education)		1, 250
Dentistry	59	
Dental Hygiene	138	
Dental Assisting	224	
Dental Technology	34	
Total	455	
9. American Home Economics Association	6	250
10. American Library Association	51	500
11. American Medical Record Association	30	250
12. American Occupational Therapy Association	39	250
13. American Optometric Association	12	250
14. American Osteopathic Association	6	250
15. American Physical Therapy Association	61	500
16. American Podiatry Association	5	250
17. American Psychological Association	76	500
18. American Public Health Association (Community Health)	27	250
19. American Society of Landscape Architects	28	250
20. American Speech and Hearing Association	81	500
21. American Veterinary Medical Association	19	250
22. Association of American Law Schools	123	750
23. Association of American Medical Colleges	93	500
24. Board of Schools of Medical Technology	96	500
25. Council on Public Health Education	18	250
26. Council on Social Work Education		1, 250
Graduate	84	
Undergraduate	189	
Total	273	
27. Engineers' Council for Professional Development	215	1, 250
Engineering Technology*	65	
Total	280	
28. National Architectural Accrediting Board	76	500
29. National Association for Industrial Technology	6	250
30. National Association of Schools of Art	56	500
31. National Association of Schools of Music	301	1, 250
32. National Council for Accreditation of Teacher Education	465	1, 250
33. National League for Nursing	214	1, 250
Associate Degree Nursing	76	
Total	290	
34. Society of American Foresters	38	250
Total		19, 750

Institutional accrediting agencies	Number of accredited institutions	Annual dues	Total
Regional accrediting commissions:			
1. Middle States	392	$23, 520	$23, 520
2. New England—College	167	10, 020	10, 020
3. New England—Commission on Vocational Technical Education	8	480	480
4. Northwestern	110	6, 600	6, 600
5. North Central	677	40, 620	40, 620
6. Southern Association—Commission on Colleges	653	39, 180	39, 180
7. Southern Association—Commission on Occupational Education Institutions	126	7, 560	7, 560
8. Western Association—Senior	124	7, 440	7, 440
9. Western Association—Junior	115	6, 900	6, 900
Nonregional accrediting commissions:			
10. American Association of Bible Colleges	64	3, 840	3, 840
11. National Association of Trade and Technical Schools	430	25, 800	25, 800
12. Association of Independent Colleges and Schools	487	29, 220	29, 220
13. National Home Study Council	90	5, 400	5, 400
Totals		206, 580	206, 580

Institutional membership organizations

1. American Association of Community and Junior Colleges	$1,000
2. American Association of State Colleges and Universities	1,000
3. Association of American Colleges	1,000
4. Association of American Universities	1,000
5. Association of Urban Universities	1,000
6. National Association of State Universities and Land-Grant Colleges	1,000
7. American Council on Education	1,000
Total	7,000

Mr. O'Hara. Our last witness today is Mr. James C. Schmitt, who is president of the Better Business Bureau of Greater St. Louis. Mr. Schmitt was nominated as a witness by a distinguished member of this committee and a very good friend, Congressman Bill Clay of Missouri and the nomination was seconded by Senator Tom Eagleton. So Mr. Schmitt, I am confident you are going to do a good job.

Mr. Schmitt. Thank you, Mr. Chairman. I appreciate the opportunity of being heard. I wish to submit a brief statement with some recommendations a more detailed report of the closing of at least one technical school in St. Louis, North. I request it be entered in the record.

Mr. O'Hara. The material that has been submitted by the witness will be printed in the record.

[The material referred to follows:]

PREPARED STATEMENT OF JAMES C. SCHMITT, PRESIDENT, BETTER BUSINESS BUREAU OF GREATER ST. LOUIS, INC.

In recent years, several trade and technical schools in the St. Louis area have closed their doors. These closures have left a number of students struggling to repay loans, receievd through the Student Loan Program or other sources, for training courses they have not received, thus shattering their hopes of breaking out of a pattern of low-paying, menial jobs, through technical education. A copy of the Better Business Bureau of Greater St. Louis report, dated November, 1973 and made available on the closing of the Technical Education Corporation, is attached for your convenience.

In reviewing the closing of these as well as other schools there are points that I think would be of interest to the committee:

There was no apparent effective examination or regulation of the trade and technical schools that closed in the St. Louis area when the benefits of FISL were given, nor direct examination for solvency, curriculum, student testing methods and procedures, sales methods or advertising.

Many schools, including Technical Education Corporation, carried advertisements of high-paying jobs awaiting students once they graduated. High pressure sales tactics were used to enroll students, many of them poor and without the education which would enable them to successfully complete the training. These tactics included the promise of loans that would be easy to repay with the high-paying jobs received upon graduation.

The only restriction that we could find that HEW had placed upon at least one school—Technical Education—was that student loans would not be available for high school students.

On the other side of the coin, the schools were apparently allowed to advertise that they had Federal government approval, either through the VA or HEW, and many of the students we interviewed stated that they had relied on the implied endorsement of agencies of the Federal government in making a decision.

In the case of Technical Education Corporation, as in the case of other schools, HEW relied almost solely upon the National Home Study Council to monitor advertising, sales tactics, curriculum evaluation, testing, as well as financial stability and adequacy of management. Reliance on this organization solely as a means to enforce a decently administered and satisfactory student loan program has proved, in my estimation, to be a mistake. Several days after the school was closed our ureau received notice that the National Home Study Council had withdrawn its accreditation.

COORDINATION OF GOVERNMENT AGENCIES

There was no apparent coordination of other Federal, state, local and private organizations in an effort to assist in the administration of the student loan program in the proprietary sector. Also, no apparent effort was made to determine if consumer complaints had been made to the FTC, various state government officials, private agencies, or if those public and private agencies had objections to advertising or sales tactics, or to conduct a coordinated investigation.

I wish to point out there are many good trade and technical schools and they do perform an ethical, fair and valuable service to their students. However, under a program that is as loosely administered as the student loan program, the situation is ripe for poorly or fraudulently run schools to operate and make money—in other words, it is a license to steal. I cannot believe that in the passage of the student loan program, that it was Congress' intent to give the Dept. of Health, Education and Welfare the program and no authority to directly administrate it or to protect the tax payer, the students, and the legitimate trade and technical schools.

It would appear to me that much could be done to correct this problem without legislative action. As such, I would recommend the following:

1. The Dept. of Health, Education, & Welfare should conduct effective evaluations of all proprietary schools that are eligible under the student loan program. This should be done in the fields of financial and curriculum evaluation; testing evaluation and testing safeguards; sales tactics; advertising. One requirement should be a Certified Public Accountant's statement initially, and annually thereafter. Further, HEW should not rely solely upon private agencies for evaluation.
2. That HEW should coordinate their activities with other governmental agencies, such as the Veterans' Administration, Federal Trade Commission, IRS, etc. and other accrediting agencies. Further, HEW should coordinate with private and public accrediting agencies; with the various state departments of education; the attorneys-general, and other agencies which might have a bearing on proprietary education. Further, I would even require coordination with city officials, such as licensing agencies, as well as coordination with private agencies that have something to do with evaluation, receiving and processing consumer complaints, etc.
3. The Federal government should stop all schools from advertising and selling on the basis that it is operating under a Federal endorsement such as HEW or VA approval.
4. Payment to the schools should be on the basis of pay as the student learns. This is what many private lending institutions are doing in order to protect their loans.
5. That the guarantee, or implied guarantee, of a position upon the successful completion of the course being offered be administratively prohibited by HEW or any Federal agency.

TEC REPORT

The St. Louis Better Business Bureau has kept an active file on the Technical Education Corporation since it was first established in December, 1959 under the name of Automation Training, Inc. In January, 1962 the school was purchased by C. R. Johnson, who changed the name to TEC and added several courses to the curriculum which were not related to the automation field.

TEC was a nationwide correspondence school as well as resident training school. Home study students paid $990 for an 81 lesson program with a 2 week terminal training (in residence) at the St. Louis Training Center at 5701 Waterman.

These home study students had the option of dropping the home lesson plan at any point and paying an additional $450 for a 4 month training session at the St. Louis Training Center. Many students never took the home study course, but enrolled directly in the St. Louis Training for the 4 month's training.

The school was accredited through the National Home Study Council and the National Association of Trade & Technical Schools (listed by the United States Dept. of Education as the official accrediting agency for the country's private, trade and technical schools). Several of the school's courses were also approved for veterans' training, by the Veterans Administration.

Despite the recommendations of these national associations the school became a source of much concern and numerous complaints to this Bureau. The complaints ran across the entire spectrum of the school's operations—advertising, sales tactics, course content, teacher qualifications, and job referrals. The most numerous complaints dealt with the desires of students to cancel contracts and receive refunds in accordance with the contract terms.

The BBB staff met with owner Charles Johnson on several occasions in an attempt to correct areas of the operation which were of particular concern. One of our major concerns was the fact that TEC's national sales director, Ron Borschelt, had been convicted of mail fraud and served a jail term for same. TEC's original contact with prospective students was done via mail with a follow up of numerous phone calls.

TEC was accepted by HEW as a school qualified for Federally Insured Student Loans (FISL) in May of 1967. They were accepted as a qualified lender for FISL in May of 1969. These two decisions we feel were (at least in part) responsible for the demise of the school in October, 1973.

The BBB first learned of the school having closed on October 17 when students enrolled in a resident training session found the doors of the school locked. These 22 students had received one month of their 4 month course. Many of the students were transferees from the correspondence course and had as much as $1400 invested in the tuition as well as housing and transportation costs. We immediately put into action what became a lengthy and extremely involved process to discover what had happened to TEC and, more immediately, what could be done for these students.

We learned that TEC was insolvent and was perhaps in the process of declaring bankruptcy. We were further advised after a call to NHSC that TEC was being forclosed upon by EDCO Financial Services of Los Angeles, California.

EDCO had been financing TEC for over a year and was the secured creditor of TEC.

Attempting to learn more about the transfer, we made many calls to agencies who deal with technical schools. We called the regional office of HEW; the Vocational Training Division of the Illinois Board of Education; the Attorney General's office; and the Missouri Association of Trade & Technical Schools. None of these agencies were aware of the transfer or TEC's closing except by rumor.

The National Home Study Council informed us that they had withdrawn their accreditation from TEC and had sent out notification of same. We water received such notification in our office with an October 15 date which was several days after the school's actual closing.

After several calls to John Tate, President of EDCO in Los Angeles, Mr. Tate returned our call. He was here in St. Louis at the TEC building making final transfer arrangements. We asked to meet with him to discuss the plight of the students and his plans for the thousands of correspondence students involved, but Mr. Tate advised that he was too busy for such a meeting and we should refer all such problems to William Chamberlain of Phoenix, Arizona.

Mr. Chamberlain is the president of a new firm set up by EDCO named Institute of Technical Education, this firm being formed, we are told, to assist with the training of correspondence students enrolled by TEC who wish to continue their home study courses. (However, as a new firm, they accept no liability for refunds due incurred by the former owners.)

Apparently Mr. Chamberlain had been in St. Louis attempting to salvage the TEC operations and had met with officials of the Veterans' Administration in an attempt to maintain VA approval under the new ownership. At the same time Mr. Tate was meeting with representatives of NHSC attempting to hold the accreditation status which might allow the school immediate responses and so EDCO felt compelled to immediately close the school and move its assets to Phoenix.

At this point, we sought the advice of the Missouri Attorney General and the St. Louis Circuit Attorney, seeking to learn from them if there was a possibility of delaying EDCO's removal of the school's assets and records until we could determine the extent of student involvement in our city and state. We were advised by those agencies that such action was not within their scope. We have subsequently been denied records of TEC students in Missouri with FISL by Mr. Chamberlain who advises we have no reason to ask for such records.

The Los Angeles BB advises us that EDCO Financial Services was originally connected with Diversified Management Systems located in Maryland. EDCO has a subsidiary known as Nationally Insured Student Loan Servicing Center. This educational division is in Phoenix and is directed by Wm. Chamberlain. Listed at the same Phoenix address are: Academic Investors Corporation; Petroleum Engineering Institute; Industrial Engineering School: Artist Institute of America; Hotel & Motel Managers Institute; Weaver's School, and the Floral Art Center. Hotel & Motel Managers Institute has since been dissolved. Indications seem to be that EDCO has taken over these schools and phased out at least one of them while others remain active. The Arizona State Board of Education, Private and Technical Training School Division, has no jurisdiction over correspondence schools in that state (only over their agents) and could give us no information about EDCO's business practices.

Since the closing of the school we have learned much about technical schools in general, TEC in particular, FISL's, regulating agencies and the ineffectiveness of agencies to protect individual consumers.

TEC was qualified for FISL from May, 1967 to March, 1973. They were qualified as a lender from May, 1969 until October, 1971. There was some discussion among HEW local officials who felt TEC should not be a qualified lender because they were selling their loans to financial institutions, but HEW officials did rule in TEC's favor. During that time approximately one million, five hundred thousand dollars' worth of FISL's were made for TEC students involving 25 to 30 banks throughout the country. One St. Louis bank has over 600 such loans.

The Bank of Savannah (Missouri) had over $300,000 worth of these student loans and is now in State receivership according to the Missouri Commissioner of Finance. Savannah Bank as well as others involved were allegedly sold their loans by money brokers. There has been a widespread lack of discretion on the part of many banks who feel they can't lose with the FISL. The default of the student can actually be financially attractive to the lender because they receive total reimbursement from the government instead of the usual lengthy payment period. And, of course, then the government is put into the role of acting as a collection agency.

HEW notified TEC on several occasions that those loans sold to students still in high school would not qualify for FISL's. Nonavailability to high school students is one of the few restrictions placed on these loans. The only intelligence qualification is that the student have "the ability to benefit." While this might exclude some types of discrimination, it does seem to encourage other abuses. Many salesmen go into ghettos or rural areas where students are high school dropouts without the ability or interest for a long term correspondence course in computer training, nor do they have any repayment ability if they do drop the course. The salesmen made the loans predicated on a glamourous future and not having to pay until you have a high-salaried job. He makes his commission, the school sells the contract and makes its money, the lending institution has the government insuring its money and so the only one who can lose is the student, who may not have the ability to finish the course, or to repay the loan, but does owe the U.S. Government. TEC had a very high dropout rate in their correspondence course.

Mr. Borschelt informed the BBB that HEW does not screen the students to determine if they are eligible; that HEW relies on the accreditation given by NATTS and NHSC; that salesmen give the prospective students aptitude tests, but that these tests are not monitored by HEW, NATTS, or NHSC. He estimated that 50% of the students accepted by TEC were not mentally qualified to complete the course. (An interesting corresponding statistic is that only 10% of FISL's went to students enrolled in vocational schools in 1971, but these same schools accounted for more than 70% of the defaults in one part of the program.*)

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*Washington Monthly—11/73.

TEC was suspended as a qualified school in March, 1973, following a partial audit by HEW. At that time HEW asked Johnson to have an immediate and total audit done, but although a CPA was contacted by Johnson, the audit never took place. Later this CPA attended the transfer meetings between Johnson and EDCO in the capacity of an "observer."

There were no restrictions put upon TEC (or any school) or any FISL lender how the money was made available to the school. While it would seem obvious that one simple safeguard would be for the lender to make the money available to TEC on a "pay as the student learns" system, that was not the case. The money was made immediately available and usually before the student began his course. When Johnson was faced with the loss of that cash flow TEC was in financial trouble.

We know that during the last few months of the school's existence there were clear indications of serious financial trouble. Letters promising still undelivered refunds to students go back as far as January, 1973. Employees of the school experienced difficulty getting their payroll checks cashed.

Johnson assured everyone that the money was available and urged his sales people to continue on their course. (Several days after the school was closed, the BBB received calls from TEC sales people. They had not been notified of the school's situation and were still selling courses.)

When TEC closed and EDCO took the records to Arizona, the St. Louis BBB was assured that all students involved would be notified. A terminal training course was scheduled to begin October 31 and apparently none of the students were notified of its cancellation. Students arrived in our St. Louis office from as far away as Fairbanks, Alaska and Seattle, Washington.

At the request of Senator Eagleton's office, the BBB tried to get a list of Missouri students with FISL's. EDCO refused to supply the information and wewentdirectlytoHEW.Wemetwiththe expected bureaucratic mire but soon discovered that no records are kept which could tell us names and addresses of insured Missouri students. We were supplied with a large printout of students enrolled at TEC, but no addresses. (It occurred to us that such listings might bring to view abuses by salesmen or lending agencies in a particular area.)

EDCO's educational branch, Institute of Technical Education, has not sent letters to many of the students informing them of the transfer and their intention to continue the correspondence courses. It is not clear if all correspondence students will be serviced or only those financed by EDCO. Equally unsure is to whom the 2 week terminal will be made available. What is certain is that EDCO accepts no liability for refunds due incurred by the former owners. BBB has been notified that collection agencies are now contacting students who dropped out of TEC over a year ago on behalf of EDCO.

Some of these students, hearing nothing in over a year, have destroyed their records and have no proof of having submitted sufficient notice to TEC. So, once again, we are faced with this hopeless situation. Students with limited means trying to break out of a pattern of low paying, menial jobs are taken in by the high pressure salesman offering a glamourous future. The school, which has been accredited, either closes its doors and the student is left untrained, or the school doesn't live up to its promises and the student drops out. Whatever the reason, the student is left owing a sizeable sum of money to someone. The blame for this situation cannot be directed in any one direction. In fact, it is the very nature of the program which defuses the guilt. The individual schools are guilty, of course. But they are accredited and those accrediting commissions are responsible for policing the schools and their policies to maintain standards. If the accrediting agency falls short, then it is the responsibility of the Office of Education's Institutional Accreditation and Eligibility to remove that agency from their approved list. The lenders, too, are a party to the problem. They often use the program solely for their own benefit and should be held accountable to the Division of Insured Loans, which, of course, could supersede all of the other agencies and remove an individual school quite simply.

STATEMENT OF JAMES C. SCHMITT, PRESIDENT, BETTER BUSINESS BUREAU OF GREATER ST. LOUIS, INC.

Mr. SCHMITT. In recent years, several trade and technical schools in the St. Louis area have closed their doors. These closures have left a number of students struggling to repay loans, received through the student loan program or other sources, for training courses they have not received, thus shatering their hopes of breaking out of a pattern of low-paying, menial jobs, through technical education.

As I said earlier, a copy of our report is included about that school. In reviewing the closing of these as well as other schools there are points that I think would be of interest to the committee.

There was no apparent effective examination of regulation of the trade and technical schools that closed in the St. Louis area when the benefits of FISL were given, nor direct examination for solvency, curriculum, student-testing methods and procedures, sales methods, or advertising.

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There was no apparent coordination of other Federal, State, local, and private organizations in an effort to assist in the administration of the student loan program in the proprietary sector. Also, no apparent effort was made to determine if consumer complaint had been made to the FTC, various State government officials, private agencies, or if those public and private agencies had objections to advertising or sales tactics, or to conduct a coordinated investigation.

I wish to point out there are many good trade and technical schools and they do perform an ethical, fair, and valuable service to their students. However, under a program that is as loosely administered as the student loan program, the situation is ripe for poorly or fraudulently run schools to operate and make money—in other words, it is a license to steal. I cannot believe that in the passage of the student loan program, that it was Congress' intent to give the Department of Health, Education, and Welfare the program and no authority to directly administrate it or to protect the taxpayer, the students, and the legitimate trade and technical schools.

It would appear to me that much could be done to correct this problem without legislative action. As such, I would recommend the following:

1. The Department of Health, Education, and Welfare should conduct effective evaluations of all proprietary schools that are eligible under the student loan program. This should be done in the fields of financial and curriculum evaluation; testing evaluation and testing safeguards; sales tactics; advertising. One requirement should be a certified public accountant's statement initially, and annually thereafter. Further, HEW should not rely solely upon private agencies for evaluation.

2. That HEW should coordinate their activities with other governmental agencies such as the Veterans' Administration, Federal Trade Commission, I.R.S., et cetera, and other accrediting agencies. Further, HEW should coordinate with private and public accrediting agencies; with the various States' departments of education; the attorneys general and other agencies which might have a bearing on the proprietary education.

Further, I would even require coordination with city officials, such as licensing agencies, as well as coordination with private agencies that have something to do with evaluation, receiving, and processing consumer complaints, et cetera.

3. The Federal Government should stop all schools from advertising and selling on the basis that it is operating under a Federal endorsement such as HEW or VA approval.

4. Payment to the schools should be on the basis of pay as the student learns. This is what many private lending institutions are doing in order to protect their loans.

5. That the guarantee, or implied guarantee, of a position upon the successful completion of the course being offered be administratively prohibited by HEW or any Federal agency.

I stand ready to answer any questions that you may have.

Mr. O'Hara. Thank you very much, Mr. Schmitt.

Mr. Schmitt, this particular school, Technical Education Corp., involved a period of home study followed by a period of study on the premises?

Mr. SCHMITT. Yes, it did. Study on the premises was called terminal education. Students as far away from the school as Alaska showed up for their terminal education and found the school was closed.

Mr. O'HARA. How long had this corporation been in existence? Can you tell us a little more about it?

Mr. SCHMITT. This school was in existence since 1959.

Mr. O'HARA. What finally happened? Was it closed up?

Mr. SCHMITT. This is correct.

Mr. O'HARA. If they had been operating since 1959, what was it?

Mr. SCHMITT. Financial difficulties and mismanagement, I am told are the reasons.

Mr. O'HARA. I think one of our problems is in trying to apply the programs to home instruction courses. I don't want to foreclose home study, but I think we have to develop a better set of specialized criteria and procedures in connection with home studies. I gather though from your statement that you aren't very high on the kind of program that TEC had before they went out of business?

Mr. SCHMITT. No, that is correct.

Mr. O'HARA. In other words, maybe in terms of the needs of the students going out of business was the best thing.

Mr. SCHMITT. We were concerned with their advertising, first of all. Their promises of paying jobs, implied promises. We were concerned really about the endorsement of a Federal agency, because it is most serious.

Mr. O'HARA. Me too. I have noticed some of the advertising in the Washington Post articles that say VA approved and HEW approved and so forth. Approved for guaranteed students loans and what have you. I think that an implication of a Federal endorsement of the program to the school is a very bad deal. I like your suggestion which goes to stopping them from advertising. I think that is an excellent point. I think, too, you also would suggest that they not be permitted to impliedly guarantee a position upon completion.

My own feeling is that either in this or subsequent legislation, we have to introduce a little truth in educating kind of a concept where not only do they have to refrain from saying something that is false but they have to provide some actual information on what the experience has been.

Mr. SCHMITT. I think that would be excellent.

Mr. O'HARA. Mr. Schmitt, let me ask you one other question, really. Does the State of Missouri have some sort of licensor?

Mr. SCHMITT. No, it does not at the present time. Two bills have have been introduced. I should say the same bill has been introduced twice, in two subsequent sessions of the Missouri Legislature and they both failed.

Mr. O'HARA. I think that we have to, as I suggested to the last witness, and I am sure you heard him, look for ways to apply some pressure on the States to adopt and enforce strict licensing laws with respect to these schools.

Mr. SCHMITT. I think that wuld be excellent, sir. I would say this, having been a State official myself, there are two important considerations. One, the law should have teeth. Secondly, most important, the authority should be properly funded.

Mr. O'Hara. We have found in the mine-safety field some years ago the State of Montana had a beautiful State safety statute, and they had one employee of the enforcement agency who was supposed to cover the entire State. So they had a great statute, but it was a dead letter.

I think that we have had experience even with those kinds of problems and what we have done on a few occasions in the past is demand that the law meet minimum standards and they have adequate personnel to carry out the law and that they enforce the law.

Mr. Schmitt. I might add this school had done business in States where there was licensing requirements, and this did not stop the school from doing to the States what they had done.

Mr. O'Hara. Those States are very ineffective, the ones that do have ones.

Mr. Schmitt, I thank you for coming before us. I appreciate the fact that Mr. Clay and Senator Eagleton were kind enough to call your availability to my attention. I hope that you will continue to be in touch with the committee as we work on his problem.

Mr. Schmitt. I will be glad to.

Mr. O'Hara. Thank you very much.

The subcommittee will now stand in adjournment. We will meet next Thursday at 10 a.m.

[Whereupon, at 12:25 p.m. the subcommittee adjourned to reconvene Thursday, July 25, 1974.]

FEDERAL HIGHER EDUCATION PROGRAMS INSTITUTIONAL ELIGIBILITY

THURSDAY, JULY 25, 1974

House of Representatives,
Special Subcommittee on Education of the
Committee on Education, and Labor,
Washington, D.C.

The subcommittee met at 10:15 a.m., pursuant to recess, in room 2261, Rayburn House Office Building, Hon. Joseph M. Gaydos presiding.

Present: Representatives O'Hara, Gaydos, and Dellenback.

Staff present: Jim Harrison, staff director; Webster Buell, counsel; Elnora Teets, clerk; and Robert Andringa, minority staff director.

Mr. Gaydos. Today is the third in a series of hearings dealing with institutional eligibility for participation in the student aid programs established by the Higher Education Act of 1965 and its subsequent amendments. The focus of these hearings is on the accreditation of schools as a requirement of eligibility.

Mr. O'Hara unfortunately had an assignment before the Supreme Court and won't be here to open the hearing.

Four witnesses are scheduled to appear before this subcommittee today. First will be our distinguished Member from California, a member of our general Committee on Education and Labor, Mr. Alphonzo Bell.

Mr. Bell has been a most valuable member of this committee. I have appeared with him several times with Mr. Wolff on educational matters on national TV, and all my colleagues and the people here should and can rest assured that Mr. Bell, when he speaks out on this subject, is well versed and very steeped in his background information.

I am happy to welcome my colleague at this hearing. You may proceed any way you want.

Mr. Bell. Mr. Chairman, my bill on this subject H.R. 11927 is sponsored by myself and my distinguished colleague and friend from California, Mr. Jerry Pettis. Consequently, we are appearing here today together.

[The text of H.R. 11927 is as follows:]

[H.R. 11927, 93d Cong., 1st sess.]

A BILL To establish criteria to be observed by approving entities for federally assisted postsecondary education programs in order to protect students in such programs

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Postsecondary Education Consumer Protection Act of 1973".

PURPOSES

SEC. 2. The Congress declares that the purposes of this Act are to provide protection for students, consumers, and legitimate postsecondary educational institutions against substandard or fraudulent practices, to provide compensation for losses of Federal financial assistance by way of loan or loan insurance because of the insolvency of eligible institutions, and to provide for improvement in the quality of postsecondary education, by strengthening the process by which postsecondary educational institutions gain eligibility for funding status.

FINDINGS

SEC. 3. The Congress finds that—

(a) under the provisions of various federally assisted student aid programs and other Federal programs assisting educational institutions, substantial Federal funds and loan funds guaranteed by the Federal Government flow into postsecondary educational institutions;

(b) eligibility of such institutions for receipt of such funds has sometimes been misrepresented by institutions as amounting to direct accreditation or approval by the Federal Government or an agency or department thereof, when no such accreditation exists;

(c) such misrepresentation has sometimes induced students to enroll in a particular education program who would not otherwise have so enrolled; and

(d) the Nation has suffered substantial losses of human, financial, and educational resources because of the unethical actions of some administrators, recruiters, and other persons associated with eligible postsecondary educational institutions.

DEFINITIONS

SEC. 4. For purposes of this Act—

(a) The term "approving entity" means a public or private association or accrediting agency which approves or accredits postsecondary educational institutions or the programs of such institutions.

(b) The term "federally recognized approving entity" means an approving entity relied upon by any Federal officer or agency in connection with a program (1) of Federal assistance to postsecondary educational institutions by way of grants or contracts, loans, or loan insurance or guarantee, (2) of Federal assistance to students at postsecondary educational institutions by way of grants, loans, loan insurance or guarantee, or workday programs, or (3) under which continuation of Federal payment is conditioned on attendance at a postsecondary educational institution approved or accredited by an approving entity.

(c) The term "postsecondary educational institution" includes, but is not limited to, an academic, vocational, technical, home study, business, professional, or other school, college, or university, or other organization or person, offering instruction or educational services primarily to persons who have completed or terminated their secondary education or who are beyond the age of compulsory school attendance in their respective States.

(d) The term "education" includes, but is not limited to, any class, course, or program of training, instruction, or study.

ELIGIBILITY STUDY

SEC. 5. (a) The Secretary of Health, Education, and Welfare (hereinafter referred to as the "Secretary") shall, through the Advisory Committee on Accreditation and Institutional Eligibility, conduct a study of the operation and effectiveness of the various federally recognized approving entities. In conducting said study, the Secretary may utilize information and data available as a result of other studies which are relevant to the purposes of this Act. Such study should be conducted with a view toward determining whether the standards employed by such entities are closely monitored and strictly enforced by the entities and effective in protecting the interests of students and toward general improvement of postsecondary educational institutions and their programs.

(b) The Secretary shall, from time to time, make such interim reports of his activities, findings, and recommendations (including recommendations for changes in the provisions of this Act) as he may deem appropriate and shall make a final report to the President and the Congress not later than December 31, 1975, which shall detail the results of his findings and make such recommendations with respect to the operation of this Act or to new legislation as he may see fit.

CRITERIA FOR FEDERALLY RECOGNIZED APPROVING ENTITIES

SEC. 6. Upon completion of the study conducted under section 5(a), the Secretary shall, by regulation, and upon recommendation of the Advisory Committee on Accreditation and Institutional Eligibility, revise the criteria to be met by federally recognized approving entities, where appropriate, to ensure that recognized approving entities are functioning as to assure the following:

(1) That the institution shall have a statement in plain, clear, and understandable language regarding the objectives of its program of education or training.

(2) That the institution provides students and other interested persons with a catalog or brochure containing information describing the programs offered, program objectives, definition of educational credentials awarded, length of program, schedule of tuition, fees, and all other charges and expenses necessary for completion of the course of study, cancellation and refund policies, and such other material facts concerning the institution and the program or course of instruction as are reasonably likely to affect the decision of the student to enroll therein, and that such information is provided to prospective students prior to enrollment.

(3) That the institution provides students and other interested persons with a disclosure statement of its financial status, business relations, and other relevant information regarding the fairness, legality, and solvency of its financial situation, and that such a statement is provided to prospective students prior to enrollment.

(4) That the education, moral character, ethical practices, and experience qualifications of directors, administrators, supervisors, and instructors are such as may reasonably insure that the students will receive fair administrative treatment and education consistent with the objectives of the course or program of study.

(5) That the institution has adequate space, equipment, instructional materials, and personnel, where appropriate, to provide education of good quality.

(6) That the quality and content of each course or program of instruction, training, or study are such as may reasonably and adequately achieve the stated objective for which the course or program is offered.

(7) That upon satisfactory completion of training, the student is given appropriate educational credentials by said institution, indicating that said course or courses of instruction or study have been satisfactorily completed by said student.

(8) That accurate auditable financial records accounting for receipt and refund of guaranteed student loan proceeds, and records to show attendance, progress, or grades are maintained on the premises; and that satisfactory standards are enforced relating to admission, attendance, progress, and performance.

(9) That the institution is maintained and operated in compliance with all pertinent ordinances and laws, including rules and regulations adopted pursuant thereto, relative to the safety and health of all persons upon the premises.

(10) That the institution is financially sound and capable of fulfilling its commitments to students.

(11) That neither the institution nor its agents engage in advertising, sales, collection, credit, or other practices of any type which are false, deceptive, misleading, or unfair.

(12) That the institution has a fair and equitable cancellation and refund policy; that all unearned tuition from guaranteed student loan proceeds is returned to the student's account with the lender (or other holder of the note); that such refunds be on a timely basis (within thirty days of the student's last day of attendance); and that failure to comply with these requirements shall be cause to remove the approved or accredited status (and the institutional eligibility) of such institution.

ADMINISTRATION

Sec. 7. (a) The Secretary shall continuously monitor the performance of all federally recognized approving entities and if he determines, after due notice and opportunity for a hearing on the record, that such an entity is failing to meet and enforce the criteria established pursuant to section 6, he shall so notify all departments and agencies recognizing such entity. The Secretary shall rescind such notification when he determines, after due notice and opportunity for a hearing on the record, that the entity has come into compliance with such criteria.

(b) Whenever an officer or agency of the United States receives notification from the Secretary that a federally recognized approving entity fails to meet the criteria prescribed by the Secretary, he shall, until such notification is rescinded, discontinue reliance on such entity's approval or accreditation of postsecondary educational institutions or programs, but institutions and programs which such an entity has approved or accredited prior to receipt of such notification may (in the discretion of the department or agency) continue to be considered to be recognized through the end of the current enrollement period.

(c) During the period that subsection (b) is applicable to an approving entity, and the Secretary determines there is no other nationally recognized approving entity qualified to approve the institutions formerly approved by such approving entity, he shall appoint an advisory committee, composed of persons specially aqualified to evaluate the education provided by postsecondary institutions formerly approved by such entity, which shall prescribe the standards of content, scope, and quality which must be met in order to qualify such institutions to participate in programs in the area with respect to which such approving entity operated.

Sec. 8. If the Secretary determines, after affording due notice and opportunity for a hearing, that (1) a student who is pursuing a program of postsecondary education with the assistance of a student loan which is guaranteed by the United States has been denied the primary educational benefits for which the loan was obtained by reason of the insolvency of the institution or its failure to provide the education or training stipulated in an agreement between the student and the institution, and (2) in the case of a denial of such benefits by an institution eligible after the establishment of criteria under section 6, the Secretary determines that such institution should not have been eligible under the standards of the federally recognized approving entity which approved or accredited the institution, the United States shall (A) forgive the student of any obligation to repay the loan and loan interest when the United States is the holder of the loan, and (B) pay any other holder of the loan any amount due on the loan if it releases the student from further obligation to repay the loan, and (C) pay to the student an amount equal to all payments he may have made on the loan. This section shall apply in cases of insolvency and in cases of failure to provide stipulated education or training which occur less than five years after the enactment of this Act.

Sec. 9. Section 553 of title 5, United States Code, shall apply to the promulgation of criteria by the Secretary, and sections 554 through 558 of such title shall apply to proceedings under section 6.

Sec. 10. The Secretary shall publish biannually in the Federal Register a list showing the following:

(1) The approving entities which currently meet the criteria established by the Secretary pursuant to section 6.

(2) The postsecondary educational institutions which are approved or accredited by such approving entities including a particularization of the departments or courses of study which are approved or accredited at the institutions.

(3) The institutions which have lost approval or accreditation and those whose applications for approval or accreditation were not accepted.

Sec. 11. It is the sense of the Congress that the several States should enact laws for the approval or accreditation of postsecondary educational institutions and authorization to grant degrees. Such laws should establish standards for approving entities that will insure proper business procedure within the industry and could utilize model legislation plans and the wealth of recent study in drafting statutes for this purpose.

FEDERAL CONTROL

SEC. 12. Section 432 of the General Education Provisions Act is amended by inserting after "the Emergency School Aid Act;" the following: "the Postsecondary Education Consumer Protection Act of 1973;".

Mr. GAYDOS. I do want to extend the warm welcome of this committee, Mr. Pettis, and I am sure both of you are going to give some very valuable information to this committee.

STATEMENTS OF HON. ALPHONZO BELL AND HON. JERRY L. PETTIS, REPRESENTATIVES IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. BELL. Thank you, Mr. Chairman.

I want to commend the subcommittee for its attention to the problems resulting from the inadequacies of present institutional eligibility procedures. As you know, this is a subject which has long been of particular concern to me. I believe that we in the Congress have an obligation to take immediate action to remedy the apparently growing incidence of abuse in this area, particularly within the vocational and trade school industry.

By allowing the use of its name and money, the Federal Government has contributed substantially both to the existence and the magnitude of this problem. I believe strongly, therefore, that we have an obligation to do something about it.

According to an estimate made by Mr. Robert Johnson of the National Association of Trade and Technical Schools, there were in existence in 1968 only 1,200 trade-technical schools. Since the implementation of the student loan program this figure, by 1974, has grown to some 7,000 trade-technical schools in the United States today.

The Office of Education has clearly—if belatedly—acknowledged the existence of abuses within th vocational education industry. In a letter date May 8, 1974, from Dr. Peter Muirhead of OE, to Senator Brooke, which I believe you have, Mr. Chairman, OE acknowledges that five primary kinds of malpractice have arisen within this industry.

As stated in the letter, these are:

> Misleading advertising, indiscriminate recruiting, poor course completion, false job-placement promises, and insufficient tuition refunds.

The letter, which I would like the committee to enter into the record, further states:

> The actual and potential scope and magnitude of these abuses . . . clearly indicates that additional Federal statutory action is required if educational consumers are to be protected properly.

Further on, the letter states:

> We believe that the clear and evident deficiencies exist in present monitoring devices used to assure the quality and capability of schools whose students now receive Federal funds.

As you know, Mr. Chairman, we are dealing here not merely with isolated instances of local fraud, appropriate for investigation by a district attorney's office, but with a national scandal of multimillion dollar proportions.

As I pointed out before the Subcommittee on Government Operations last week, an illustrative example of these abuses occurred in my own city of Los Angeles.

The West Coast Trade Schools, a corporate entity maintaining five proprietary vocational schools located in and around Los Angeles, closed its doors on 2 days' notice in May 1973, leaving at least $6 million of potentially worthless loan paper in the hands of unsuspecting financial institutions, primarily employee credit unions.

EDCO, Inc., a Los Angeles firm which is now servicing West Coast's loans for six of these creditors has informed my office that roughly 80 percent of the alleged borrowers either cannot be located or have refused to pay their loans on the grounds that they never received the education they were promised.

An EDCO representative told my office that he has not found "Any students who are satisfied. The only students who are paying, and they comprise the remaining 20 percent, are paying out of fear."

One student who attended school for only 8 days in January of 1973 received notice a year later that he owed $1,500 in repayment of a student loan. Others did not even know that the piece of paper they were signing was a loan obligation.

I have a letter from a person who was led to believe that he was filling in an enrollment application when he was actually signing a student loan note. He had signed on a Friday and called the first thing Monday morning to cancel his application—and was assured there would be no problem. Two years later, he was notified that payment of the loan he never knew he had, was now due.

In a variation of bait-and-switch a woman was enticed by a help-wanted ad. She applied for the advertised job and was told it was no longer available—but a similar job would be available if she would sign up for this handy training program. The next thing she knew, she owed the Government $1,500.

I am focusing here, Mr. Chairman, on consumer protection aspects. Investigative reporting by Gene Ferguson of a Los Angeles radio station, KPOL, has uncovered other information pointing to possible criminal fraud.

A vast grey area exists, however, between abuses which clearly qualify as criminal acts, and noncriminal abuses amounting to unethical, misleading professional practices.

I think one area this committee needs to look into is the investigative capability of the Office of Education and/or HEW. I understand that there is currently a minimal staff, under the Secretary, assigned to Security and Investigations, but this division was recently cut in size rather than being expanded.

The committee ought to determine what the investigative capabilities at HEW are, how they might be improved, and how they might be implemented to help in the area of abuses in Federal financial air programs.

HEW is presently facing the possible loss of hundreds of millions of dollars. Clearly a need exists for at least a modest capacity for preliminary investigation within the agency itself—first, to allow for investigation of abuses that might technically come within the letter of he law, and to make relevant recommendations; and secondly, to make preliminary investigations into situations which might subsequently be referred to the Justice Department for criminal investigation with a view to prosecution.

Let me strongly emphasize at this point that I certainly believe postsecondary trade and technical schools are a beneficial and necessary element of our overall educational system. They provide important instruction and training in areas not included in our traditional college and university curricula.

But we must begin to come down on the minority—or what I hope is only a minority—of these schools that are misusing Government funds, "ripping off" their students and discrediting an entire industry.

My concern is with these institutions—the schools which have violated the most minimal standards of decency and professional ethics—schools that have lured unsuspecting persons into training courses of dubious value through misleading claims and high-pressure sales tactics.

These schools sign up students when there is virtually no possibility they will ever realize the glamorous career objectives so eloquently and receptively sold to them.

And, tragically, the students so often attracted to these schools are among the most vulnerable of our citizens. They are usually persons from low-income backgrounds seeking to improve their lot.

They are often our veterans.

They are not asking for a handout. They are playing by the establishment's rules, work hard, study hard—get a good job and you will earn a decent salary.

They reasonably believe that if a school is approved by the Federal Government under the student loan program or the GI bill, it must be good. Imagine their disillusionment when they discover that their Government was used to pull the rug out from under them.

Mr. Chairman, the bill which I introduced last December together with my distinguished California colleague, Mr. Pettis, provides at least a starting point for doing something about this unconscionable situation.

In putting the bill together, we specifically rejected any idea of prohibiting Federal program eligibility for proprietary schools altogether. We also rejected the approach, proposed by some, to create a method of direct Federal approval for accreditation, as dangerously intrusive into what should remain non-Federal areas. Thus, our bill allows for continuation of the present two-step process whereby the agencies of the Federal Government rely on the expertise of non-Federal bodies of approval or accreditation—but would require much more standards and supervisory responsibilities.

To achieve this end, we inserted in the bill, with certain modifications, a "shopping list" of result-oriented standards developed by the Education Commission of the States. We would require the Secretary of HEW to develop new criteria based on those in the bill.

A problem which has concerned us is that of placing what amounts to consumer protection responsibilities on what are essentially education-oriented entities. The accreditation group which might be able, for example, to evaluate a teacher's qualifications might not be as able to evaluate a school's financial management capabilities.

One possible solution to this dilemma might be an amendment which would require that all proprietary schools participating in the student loan program be bonded. It is my understanding that surety bonding is a routine requirement in most other government loan programs. This would constitute a self-policing mechanism involving little intrusion by the Federal Government.

Mr. Chairman, I want to emphasize the urgency of this problem. We are presently facing losses in the hundreds of millions of dollars—and one estimate I have received puts the potential as high as $1 billion:

When I think of the magnitude of this situation and compare it to programs in the elementary and secondary education, I am sickened.

We on the General Education Subcommittee were so pleased, for example, when the administration designed to recommend a $15 million increase for bilingual education from $35 million to $50 million—a pittance compared to the losses in the higher education area.

And this same administration, that can barely squeeze out bilingual funds, can delay 2½ years before even bothering to implement the requirements of the 1972 Education Amendments.

The administration's cavalier attitude is unconscionable. Congress must act now. We must act to protect the innocent victims of the fraud perpetrated by segments of the proprietary school industry, and we must act to protect the taxpayers.

I do not know what all the answers are—and my bill does not pretend to be a comprehensive solution. But it does provide a starting point for committee action. It was drafted primarily as a vehicle for hearings—it intentionally raises questions without answering them so that the experts can respond.

And in recent months experts have come up with a variety of suggestions which merit careful evaluation.

I hope, Mr. Chairman, that you will focus the expertise of your subcommittee on finding some of these answers, and reporting out a bill on this subject as soon as possible. I do not believe that we, like the administration, can wait another 2 or 3 years before taking action.

Thank you, Mr. Chairman.

Mr. GAYDOS. I wish to thank you Mr. Bell, and I am sure we will be hearing your position and your contribution during our general committee hearings.

It is now my pleasure on behalf of the committee to welcome again your colleague, Mr. Pettis of California. Mr. Pettis, you may proceed as you deem proper.

Mr. PETTIS. Thank you, Mr. Chairman.

I hope no one gets the idea that this is a California problem because Mr. Bell and I happen to be the sponsors of this particular piece of legislation, because it is a national problem.

You have already heard several days of testimony on the general subject Mr. Bell and I deal with in H.R. 11927—the abuse of Federal student assistance funds. My California colleague, who has sat as a member of this subcommittee during these past days, has just added to this input with his very excellent statement. I will try to keep my formal statement short and to the point.

I understand that some of the witnesses who have preceded Mr. Bell and me have been rather reluctant even to admit that the problem we're talking about exists or that new or stronger Federal initiatives are needed to deal with the situation, over and above the accrediting requirements, consumer protection and fraud laws already on the books.

Frankly, Mr. Chairman, this "don't rock the boat" attitude is just so much whitewash and, in my opinion, pretty disgraceful in he face of what the record shows to be neither a small-scale problem nor a nickel-and-dime operation.

We're really talking about national abuses involving staggering amounts of money, including the estimated billion dollars Mr. Bell cited which the Federal Government stands to lose on guaranteed student loans that aren't going to be repaid.

Recent stories on the problem that Reader's Digest, the Washington Post, Los Angeles Times, Boston Globe and numerous radio and television stations across the country have carried will help to some extent to make the public more wary of the types of dishonest operations that exist in the education field.

These hearings will help, too, and that's good, but just raising the public consciousness isn't enough.

Mr. Bell has already related to you some of the West Coast Trade Schools fiasco that was uncovered in Los Angeles last year. I got involved in the problem a little earlier when some young people in my congressional disrict fell victim to the machinations of Riverside University in Riverside, Calif.

I have compiled some of the cases on the Riverside University problem for you to look over and hope you will use any of this information you feel is particularly relevant in the official hearings record. At this point I would like to have that introduced, Mr. Chairman, for the record.

Mr. GAYDOS. Without objection, it is so ordered.

[The information referred to follows:]

JUNE 17, 1971.

To Whom It May Concern:

This is to inform you that I, Helaine F. Rampley, have not been and am not now a student of Riverside University.

I am protesting the fact that a student loan that I had applied for, for entrance in the school was processed and paid to the school in February by U. S. Life Savings Check #169813 in February of 1971; I wasn't registered as a student then.

I am revoking my power of attorney from Riverside University.

I would also like to protest the issuance of funds to an organization seven months before a student is even scheduled to register for classes; and that the school had the audacity to process and cash a check for/and in the name of someone who wasn't even registered as a student.

I am attaching a copy of a letter received from Riverside University, in which it states that they are expecting me for the fall term in November of 1971.

The loan application also states that the funds are for a student carrying at least a part-time schedule and that funds will cease when student is carrying less than half of the credits required for a full-time student. How can funds be issued and made available when one isn't even a student?

I do not feel that I should be/nor am I responsible for the funds paid to the school. I feel that it was mis-management of funds to allow such a thing to occur.

HELAINE F. RAMPLEY.

RIVERSIDE UNIVERSITY,
Riverside, Calif., January 21, 1971.

Mrs. HELAINE F. RAMPLEY,
San Bernardino, Calif.

DEAR MRS. RAMPLEY: It is with great pleasure that I extend to you a welcome on behalf of the students and faculty of Riverside University. I am certain that you will find your experience here one which will be rewarding to you both academically and from the point of view of new friends made.

Naturally, when you arrive on November 27, 1971, you will find the full facilities of Riverside University dedicated to bringing you the finest in educational opportunity. I am sure you will be pleased with the warm greeting which you receive from the faculty, and we are happy to have you join our student body.

If I can be of service to you at any time during your attendance at Riverside University, please let me know, and I shall be happy to do my best.

Sincerely,

DR. GEORGE J. HOLGATE, *President.*

SEPTEMBER 6, 1972.

Congressman JERRY L. PETTIS,
House of Representatives,
San Bernardino, Calif.

DEAR MR. PETTIS: I know you are a very busy man, but I wonder if you could take a few minutes of your times to advise me on a matter, and help straighten it out.

A little over a year ago I got involved with the Riverside University mess, and the Student Loan program, sponsored by HEW. I have been trying all this time to get this straightened out and am still being dunned for payment of a loan I never received or had benefit of. I would like to resolve this matter without the expense of a lawyer, because as sole support of the family, I can't really afford one, and I don't know how to go about suing for fraud, which I think this case fall under.

Due to the fact that some of this matter involves the use of taxpayers money I thought perhaps you could help straighten part of it out for me.

I am sending copies of some of the letters I have written to various agencies including HEW and have never received answers to. They will help to explain part of my situation to you without my repeating the whole story. Not only am I concerned for myself, but also because it looks to me that this type of situation may be perpetuated hundreds of times in other schools, and the poor taxpayer is getting the brunt of it.

What really riles me though, is my letters go unanswered, and except for form letter-duns from Life Savings regarding money I owe them for a student Loan I never received, I get nothing. Its like banging your head against a stone wall.

I wrote to Mr. Tunney, because he was at one time on the Board of the Directors of Riverside Univ. and even he ignores me. Is our government so corrupt and so busy with spending money, they can't even take time out to check and see if it is being spent honestly???

I will appreciate any help, information and advice you can give me and take this opportunity to thank you for taking a few minutes out of your busy day to give me some help.

Sincerely,

HELAINE RAMPLEY.

Mr. R. L. MAPPUS,
Insured Loan Section, U.S. Office of Education,
San Francisco, Calif.

DEAR MR. MAPPUS: Last January I went to Riverside University, Riverside, California to see about possibly entering the school in the fall as I was very much interested in getting my degree and as far as I knew that was the only school that offered a bachelor's degree to night students. Being that it was a private school and far beyond the reaches of a working mother, who is the sole support of a family, I asked about the possibility of a student loan. On February I received a note from a Mr. Reid of the University, stating that my loan application had been approved and that I was to come into the office to further process the loan. Which I did.

Because of all the controversy that there has been about Riverside University I began to wonder and U S Life Savings and Loan (formerly Sterling Savings and Loan) who were funding the loan to ask about it. A Miss Betty Cullen in the Student loan department told me that they had on February 23, 1971 sent check #169813 to Riverside University for $1500 and that as far as they were concerned I was responsible and owed that money.

Now I don't mind paying for something that I owe, and have gotten the benefit of, but how can a lending institution pay a school money for the tuition and books of a student who isn't even scheduled to start until September of this year? Why would a lending or funding institution pay a school for a student almost 7 months before the time that the student is scheduled to start school?

Also, sir, doesn't your department govern how monies are paid out. Didn't you discover that monies were being paid out before a student was even on the school roster? I should think that both your department and that of the lending institutions would at least demand from the student in question some sort of proof that they are in fact registered and intending to attend classes before the actual payment of monies. A lot of students could apply for a loan at a certain school and then decide they want to go to another and not register. If this practice of paying the schools so far in advance is followed throughout the country then I am afraid sir, that many many places are misappropriating funds and innocent people are getting bilked.

I told Miss Cullen that I felt that I don't feel that I am responsible for the $1500 loan by letter (copy attached) and also by phone. She was the one who suggested that I write your department. I am also enclosing a letter from Riverside University that states that I am not expected to attend he school until November of 1971.

Please advise me on how your department intends to clarify this matter.

Sincerely,

HELAINE RAMPLEY.

JUNE 14, 1971.

Miss BETTY CULLEN,
Life Savings and Loan Association, Student Loan Department,
Riverside, Calif.

DEAR MISS CULLEN: Thank you very much for all of your help over the phone today, June 14, 1971 regarding the Riverside University Fiasco.

One thing puzzles me though and that is if, as you say, my application stated, I was not to begin school until Sept., why did your institution go ahead and process the loan in February??? Isn't that illegal?? How can you O.K. a loan for a student and pay the school for that student in February when that student is not even supposed to go to school until September??? Isn't there some ruling about processing a loan and paying out for it before a student is actually attending the school? I thought that the loans were to pay for the tuition of the student and the students books and that a person wouldn't actually become a student until he had registered for classes. You paid on a loan for a student who might have changed his/hers mind and wanted to go to a different school.

I would think that an institution that is working with other people's money would be extra careful of how it is allocating and paying it out.

I don't feel that I am responsible for the money that you paid Riverside University, I was not a student of that school at that time, and was not scheduled to become one until September. I have papers saying I wasn't actually to start until November, a copy of which I am attaching for your benefit. I think that

Life (Sterling) Savings and Loan is sadly amiss in their handling of funds for student loans; they should at least have taken the time to ascertain that a person is actually registered and attending classes before paying out money.

Your institution is equally at fault in the handling of this situation and I feel that you should bear the burden of it. I will not assume any responsibility for a loan that I have not had to use nor will have the use of, and will if necessary go to an attorney to get this matter straightened out.

Sincerely,

HELAINE F. RAMPLEY.

BEST, BEST & KRIEGER, LAW OFFICES,
Riverside, Calif., November 2, 1972.

Re: Reid v. Riverside University.

Hon. JERRY L. PETTIS,
Washington, D.C.

DEAR MR. PETTIS: Thank you for your letter of October 18, 1972. I am most anxious to be informed as to the response of the Director of the Division of Insured Loans, Office of Education, relative to your suggestion that the Office of Education relax its rules regarding collection of the currently outstanding student loans covered by the Federal Insured Student Loan Program. As a stopgap measure, this is an excellent suggestion and would result in a tremendous benefit to a significant amount of innocent students.

As I mentioned to your Legislative Assistant, Bob Boyd, I have been closely connected with the Riverside University situation since early 1970. As a result of initial investigation and numerous complaints from students in the Shorthand Reporting School, a Complaint for Damages for False, Deceptive, Inaccurate and Misleading Statements and Representations was filed in April 1970 pursuant to California Education Code sec. 29008. A copy of the Complaint is enclosed for your records.

The Complaint sought special, general and punitive damages against Riverside University as a corporation. It was subsequently amended to include a request for the same type of relief as against George Holgate, its President, and Ronald Barrington, Dean of Admissions.

Riverside University was established and qualified to issue degrees in California pursuant to California Education Code sec. 29007(a)(3). Under this section, any corporation can issue any degree that it wants, with or without any training, merely by filing an affidavit that it has $50,000 net assets used exclusively for educational purposes.

The complaints of the students are specifically delineated in the Complaint. However, it is a fair summary to state that the students basically complained that they were promised a highly qualified curriculum for court reporting. It was represented to the students that they could complete the court reporting course within 18 months and upon graduation be certified to practice court reporting. Generally the student, upon applying for application to the University, would be admitted without any inquiry into his or her past academic record. Discovery in this particular case showed that the practice of the Admissions Department insofar as it applied to our clients, generally did not concern itself with the academic background of any applicant. The initial conferences between representatives of the University and applying students can only be classified as "hard cell." Generally the type of student that was attracted to the University was one which was employed and married and had insufficient funds and educational background to be admitted to an accredited University or community college.

Direct representations were made orally and in writing that the University was fully accredited. However, the primary accrediting institution in the western United States is known as the Western Association of Schools and Colleges. Deposition of the Executive Director of this Association was taken in the case and it was disclosed that Riverside University had applied for accreditation on three separate occasions and, after investigation by applicable committees, was denied accreditation on each separate occasion. Representations were given to the students that there would be adequate equipment and facilities for a complete instruction in the skills of court reporting. In fact, it was antiquated equipment when it existed and the facilities were wholly inadequate. Significant representations were given to the students as to the quality of the faculty at Riverside University. However, during the discovery portion of this case, it became evident that many of the faculty members did not have the degrees which they represented and the type of advertising utilized by Riverside University was extremely deceptive in terms of the educational qualifications of the faculty. The plaintiffs in my particular action indicated that there would be a tremendous turnover of faculty and each new teacher would embark upon an entirely new theory of teaching. In addition, the students complained that there was a high rate of absenteeism of the faculty and on numerous occasions students would be left in charge of the course.

I found that most of the students complained that at the time they were accepted for admission to the University (usually the same day they applied) they would be asked to sign a Power of Attorney in blank form. It has subsequently been disclosed that the University would utilize the Power of Attorney to obtain the educational checks for the students and the students would never receive he student loans in the average amount of $1,200. Several of the students have complained that they never signed a Power of Attorney and the school records have shown the existence of such. When confronted with this, the students have claimed that the Power of Attorney is a forgery.

As mentioned earlier, it was also represented to the students that they would be certified as a shorthand reporter on graduation. Nothing could be further from the truth since California has its standards which demand that mere graduation alone from a court reporting school does not entitle an individual to be certified as a shorthand reporter. Generally, before any certification is possible, the students must pass a written examination given by the State. I followed up in this respect and was surprised to find that, during the period of the lawsuit, not one person who had fully completed the court reporting course at Riverside University had ever passed the California examination. To my knowledge, no student has ever passed the examination to this date.

Each of the students involved generally was given approximately $1,200 loan per year. Of course, these loans have not been repaid by the students and it is their position that they should not have to repay a loan for which they received no consideration. I met with approximately 40 students and the continuing observation remains that they cannot understand why they should have to repay a loan where it was represented to them that they would obtain a first class education and in truth and fact, received no semblance of education whatsoever. To a person, the students feel that morally, the government should have more thoroughly investigated Riverside University and its personnel (the Dean of the Law School had been convicted of a felony and disbarred in the State of Florida) before blindly insuring the loans. Frankly I cannot explain to the students why the Government is attempting to recover the amount of loans from them from a moral standpoint. It seems to me that because of their lack of adequate investigation of Riverside University and its personnel, the Government should be proceeding directly against the principals of Riverside University.

I could go on and on about the inequities of the entire situation. I have devoted years to this case and the only thing I have to show for it is a file drawer full of evidence and clients who cannot understand the equities of the situation. Your offer of assistance is most welcome and I would be happy to cooperate with you in any way to make sure that circumstances like this do not occur again.

Very truly yours,

TERRY BRIDGES.

REDLANDS, CALIF., *September 1, 1972.*

Representative JERRY L. PETTIS,
Washington, D.C.

DEAR SIR: I am enclosing a copy of a letter which I am sending to the U. S. Commissioner of Education.

Last year, you may recall that I sought your help in allowing me to continue law school at an unaccredited school under the FISL program, making an exception in view of the circumstances of Riverside University. This exception was not allowed; I could not continue under the FISL program at an unaccredited school.

This year, I am seeking your help concerning payment of the loan for my attendance at Riverside University. As you may recall, the school was a fraud and was closed by Attorney General Younger. I want to do what is fair and what is right, but I refuse to pay this loan because I certainly did not receive what I was to pay for. I feel that the government is obligated because the government initiated the FISL program, it held Riverside University out to be an accredited school eligible for the FISL program, and it approved the loan.

I seek your help because I have little hope that my letter to the Commissioner will solve anything. Empire-builders generally do not act adversely to their own interests, preferring to ignore any embarrassments or admissions of negligence. I imagine that the FISL program has generated such an empire. I wish to prevent what I feel to be an unncessary litigation bout if no action is taken.

Since I contacted you last year, I have been in touch with some of my former classmates of the Riverside University law school. It appears that those who did not apply for a loan were not billed by the school. I am told that one of the practices of the school was to send out for loans whether or not the student applied, and under fictitious as well as real names. Many other students received VA loans. The VA is still battling these students to have them pay the VA back, but the students are adamantly refusing.

I would appreciate any help you can give me in resolving this matter of the FISL loan.

Yours truly,

NORMAN COHEN.

SEPTEMBER 1, 1972.

Re: Student Loan Program.

U.S. COMMISSIONER OF EDUCATION,
Office of Education,
Department of Health, Education an dWelfare,
Washington, D.C.

DEAR SIR: I have been a victim of fraudulent misuse of the federal student loan program, and seek your assistance in the final resolution of this matter.

In the fall of 1970, I enrolled in the law school of Riverside University, Riverside, California, which held itself out to be an accredited law school eligible for the student loan (FISL) program. This was supported by literature of the Office of Education, which listed Riverside University as being among the eligible schools although it did not specify the law school as such. I applied for the loan and it was approved in the amount of $1300.

In early 1971, Riverside University was exposed as a fraud and was closed by the State Attorney General's Office. There were questions of criminal as well as civil misconduct on the part of school officials. The law school never was accredited (the Dean of the law school was an ex-convict from another state). For all practical purposes, the school ceased to be a school in March. All but one of the instructors left. Students had to fend for themselves, assisted by local attorneys who gave of their time when they could without compensation; most of the time, there was no instruction.

Faced with this quandary, I applied to accredited schools (the closest being 75 miles away) to try to salvage the time I had invested and to be able to continue the FISL program. No accredited school would accept my attendance at Riverside University. I then applied to unaccredited schools (the closest then being 50 miles away), and petitioned the Office of Education to allow me to continue the FISL program at such other school, to make an exception in view of the circumstances. The Office of Education refused, leaving me stuck.

Now, more than a year later, I received a letter from the U.S. Life Savings and Loan Association (Los Angeles) demanding payment of the $1300 because I am no longer a student under the FISL program. I had no idea who the lender was, and had assumed that the matter was taken care of by the government upon learning of the circumstances of Riverside University.

It was bad enough to learn that I was not attending an accredited school, but rather a fraud. It was a bitter pill to swallow when other schools would not recognize my work. It was worse when the government would not allow me to continue under the FISL program at a school that would not accept me. But to demand that I pay for that now goes too far. Am I really expected to pay double? I have no intention of paying.

In summary, the government has allowed a program designed to help qualified students to become an instrument to defraud them. The government held Riverside University out to be an accredited school, and approved the loan to attend the unaccredited law school. The students have lost time, and are now being asked to lose their money as well. That is intolerable. That kind of abuse and result of a government program simply cannot be allowed.

The government has a moral if not legal obligation to pay off this loan, assuming the lender is entitled to it. I respectfully request that your office sees to it that this loan is paid. If no action is taken, I guess I will have no choice but to allow myself to be taken to court by the lender where I will have to involve you. If you see another choice, please let me know about it.

I am enclosing the particulars of the loan as sent to me by the lender.

Yours truly,

NORMAN COHEN.

RIVERSIDE, CALIF., *October 12, 1973.*

Hon. JERRY L. PETTIS,
Congress of the United States,
Washington, D.C.

DEAR CONGRESSMAN PETTIS: Thank you for your letter of October 2nd, 1973 and also for your interest and involvement in the Riverside University matter.

I would be happy to explain the circumstances of my relationship with the University at any time and will attempt to provide you now with a written summation of that experience.

I entered college (De Paul University, Chicago, Illinois) immediately following high school but discontinued my studies after one year to enlist in the U. S. Marine Corps. Following the completion of my service obligation I returned to college. After completing another year I was accepted into the U. S. Peace Corps for service in Venezuela, South America.

After the completion of my two year service in the Peace Corps, I moved to Northern California and, after five years in the Bay Area, was transferred by my employer, the U. S. Army and Air Force Exchange Service, to San Bernardino, California.

With the hope of completing my college education I enrolled at Riverside University on December 30th, 1970 for the Spring 1971 term.

At the time of enrollment I was given the option of paying cash by the quarter or assuming a federally insured loan for one year. I elected the latter because it was stated to be a no interest loan, payable by installments nine months after either completion of studies or termination of studies.

In June 1971, after having attended only five months of night school attendance, the problems of the University became widely publicized. Seeking immediate information from administration officials concerning the status of my loan, I was informed that the entire years tuition ($1,384.42) was paid in advance by the then Sterling Savings and Loan directly to Riverside University on January 18th, 1971, eighteen days after my enrollment.

The alarming suspicion that I would be responsible for the full payment of the loan soon became fact. I demanded and received from Sterling Savings a photostatic copy of the check issued for my tuition.

The check was mailed by Sterling Savings to Riverside University without my knowledge and certainly without my consent, and, although the check stated "made payable to Joseph C. Jaycox," it was fraudulently endorsed by someone other than me.

Certain that at no time did I sign a power of attorney I asked how this transaction could have been made without my knowledge and, as payee, without my signature.

I was informed that, in cases where there was not a signed power of attorney, a 'blanket' power of attorney was used. I had never before, nor have since, heard of such a term and the disbelief expressed to the Sterling Savings official was met with a matter-of-fact attitude inferring the total legality of such a transaction.

I was advised to register my complaint with a Mrs. Dorothy Nelson of the student loan department for U. S. Life Savings and Loan which had, I learned, absorbed the Sterling Savings and Loan Association.

Ironically, within a few days after my conversation with U. S. Life, I received in the mail a letter advising that I was responsible for payment of $32.92 per month for 47 months commencing July 5th, 1971.

A letter of complaint was immediately delivered to and signed by Mrs. Nelson but was never answered. Other letters mailed to U. S. Life via registered mail were also never given any acknowledgement nor response.

In chronological order, the below listed payment notices were received from June of 1971:

Type	Date	From
Installment payment notice	June 29, 1971	Mrs. Betty Nelson—U.S. Life.
Full payment due notice	Oct. 7, 1971	Mr. Jack O'Connel—U.S. Life.
Do	July 28, 1972	Mr. R. W. Hoxie—U.S. Life.
Installment payment notice	Sept. 1, 1972	Do.
Past due notice	Oct. 10, 1972	Form letter—U.S. Life.
Do	Oct. 23, 1972	Do.
Full payment due notice	Oct. 30, 1972	Mr. R. W. Hoxie—U.S. Life.
Deliquent notice letter	Nov. 29, 1972	Mr. K. C. Adams, attorney—U.S. Life.
Do	Jan. 2, 1973	Do.
Deliquent notice mailgram	Jan. 29, 1973	Mr. M. A. McTigh, Office of Education, Washington, D.C.
Disclaimer of liability letter	May 15, 1973	R. W. Hoxie—U.S. Life.

During this total period I also received telephone calls from U. S. Life, once at my residence and once at my office in Riverside.

With the belief that Joseph C. Jaycox vs. U.S. Life S & L was analogous to David vs. Goliath I sought professional advice from the offices of Best, Best and Krieger of Riverside, California. Mr. Terry Bridges of that office was most helpful in reducing my anxieties concerning the situation and determined that a "wait and see" attitude would be the most logical approach to the matter.

To date the last notice of indebtedness was received on May 15th, 1973 and my position is still "wait and see." The time that has elapsed, however, makes me cautiously speculate that the matter may not be pursued further by U. S. Life.

I would like to mention a few of the 'wrongs' that emanated from this entire matter.

1. The time and expense during the five months of attendance at Riverside University was without any form of benefit. The few credits that were award were not transferrable to the State College at San Bernardino, the only school I could attend without proximity problems.

2. The letters, the mailgram and the phone calls created a high degree of anxiety for both my wife and myself because of their threatening tones.

3. The effectiveness of my work was hampered considerably during that period of time.

4. My goal of attaining a degree suffered a serious setback because of the experience.

If not for our American judicial process making it virtually impossible for an average person to bear the cost of a court fight, I would not have taken the passive position that was recommended.

I will close by stating that Mr. Bridges recommended my retaining all documents concerning the matter and if a review of these documents by your office would be desired, I would be most happy to present them to you.

Again, thank you for taking the interest that you have. The involvement of a Congressman into a situation that would not seem to be high on a priority list has made me believe even more that justice in our society can prevail.

Respectfully,

JOSEPH C. JAYCOX.

SEPTEMBER 17, 1973.

DEAR CONGRESSMAN PETTIS: It is with a great deal of pleasure that I reply to your letter of Sept. 12, 1973 regarding bill H.R. 10013. I am one of the persons represented in this bill as I was a student at Riverside University and I received a federally insured loan.

I was induced to leave one law school after my first year, and to attend Riverside University because Mr. Jensen of Riverside University advised me that the federally insured student loans were readily available. I enrolled at that institution as a second year law student and was given a loan of $1400.00 which was to cover tuition and all my books.

After several months the school started to deteriorate rapidly and went under receivership leaving a group of us in the law school with uncompleted instruction and loans to pay for education and books we did not receive. It was only through the gratuitous efforts of several attorneys, namely Fred Benson and Charles Hunt, that we were able to complete our courses.

Mr. Benson taught the second year law subjects without pay just so we would not lose all of our course credit. In fact the second year students felt so indebted that we scraped together and paid a token payment to Mr. Benson for teaching courses we had already paid for under the loan.

In addition to the above money, I was forced to buy law books with my own funds since the school book store refused to give me books I had already paid for under the loan.

Trying to transfer into another law school as a third year student from a defunct, corrupt institution was another ordeal. The other law schools were understandably reluctant to give me credit for Riverside University classes as they were afraid it would jeopardize their standing with the California Bar Association.

Here again I was fortunate in that Dean Boas of Western State University College of law took mercy on me and graciously gave me credit for my transfer units from Riverside University provided Mr. Benson complete the course instruction. I was fortunate to receive my J.D. degree from Western State University last June.

The actions of the administration of Riverside University were, in my opinion, clearly a fraud and a misrepresentation to the students as we accepted their representations respecting these loans and the solidity of the school in good faith.

I feel that I did not receive any educational benefit for at least one third of the amount of my loan, and the benefits I received from the balance of my loan were certainly questionable as was evidenced by the questions and close scrutiny of my transcript from Riverside by the law schools to which I attempted to transfer.

In reflecting upon this incident, I find it hard to believe that the federal government could be so negligent as to permit these loans to be approved and to fail to more closely scrutinize the practices at Riverside University which entrapped the honest and unwary students.

I feel a great sense of appreciation in the fact that you are so personally concerned with our plight that you have taken the initiative to introduce your bill to the legislature. You have my deepest gratitude and I will support this action, and you personally, in any way I can in the future.

Sincerely,

ELTON D. OLSON.

CAREER SCHOOLS AREN'T ALWAYS WHAT THEY CLAIM

IN THE COUNTRY'S "LAST LEGALIZED CON GAME," COUNTLESS STUDENTS ARE VICTIMIZED BY CERTAIN SCHOOLS THAT PROMISE—BUT DON'T DELIVER—TECHNICAL TRAINING AND TOP-PAYING JOBS

(By Jean Carper)

"Earn more money!" blazon the advertisements. Become an aircraft mechanic, insurance adjuster, writer, machinery operator, broadcaster, computer programmer, lab technician or truck driver. All you have to do is enroll in a private career school. When you graduate, you'll step into a fabulous, high-paying job.

Unfortunately, too many Americans have discovered to their sorrow that the promised jobs never materialize. Complaints from victimized students to the Office of Education about unethical vocational schools nearly doubled from 1972 to 1973. In a nationwide crackdown over the past two years, the Federal Trade Commission (FTC) has conducted 400 inquiries into schools suspected of deceptive practices.

The nation's 10,000 private vocational, or career, schools—both resident and correspondence—annually enroll over three million students at a tuition cost of $2.5 billion. Undeniably, much of the money is spent on schools which *do* provide solid educations that enable graduates to obtain jobs. But, tragically, millions of dollars are wasted on substandard education for jobs that are not available. Poor governmental controls make it easy for career schools to prey on students. In some states, all you need to set up a vocational school is a postal address and the price of a license, while other states—such as Indiana, Minnesota, New York, Texas, Wisconsin—have strong regulatory laws.

Consequently, few schools are held accountable for high standards. Only 1700—a mere 17 percent of private vocational schools—are accredited by such nationally recognized agencies as the National Association of Trade and Technical Schools, the National Home Study Council and the Association of Independent Colleges and Schools. But accreditation or lack of it does not necessarily determine a school's reliability. Many of the FTC's recent complaints of deceptive sales practices ewre against accredited schools, including several large computer-training schools.

Amazingly, both the Veterans Administration, which grants G.I. payments for training in any state-approved resident or correspondence school, and the Office of Education, which approves federally insured student loans for accredited vocational schools, are prevented by law from giving any assurance that these schools are reputable. The federal government merely puts up the money for grants or loans, and if the school is dishonest, substandard, or collapses mid-term, the student is left holding the bag. A typical case is Denver's Western Technical College, a trade school which folded in 1971 after a history of financial troubles, leaving 600 students owing $1 million in federally insured loans. According to Maury Tansey, chief of claims and collections for the Office of Education, his agency will pay off the loans to banks holding the notes and dun students for repayment—for an education they didn't complete. Says the angry father of one student who owes $1200, "We thought if the government approved the loan the school was okay."

What are the main complaints against the career schools? Essentially, prospective students should beware of

Misleading advertising. Invariably, ads promise high pay and job placement, but these claims often bear little resemblance to the actual job market. A 1972 FTC study in the Midwest showed that schools were luring would-be aircraft mechanics with ads like "Need men for high-paying positions immediately." Yet an FTC check revealed that among major airlines, American had laid off 365 mechanics in the previous six weeks, United had no openings and Eastern had not hired a mechanic since 1969.

In one New York case, a truck-driver training school charged $985 in tuition for a three-week course guaranteed to get graduates '$200 per week and more." Investigators for the state's Bureau of Consumer Frauds and Protection discovered that only 14 out of 179 students who had graduated—a scant eight percent—had been placed as promised in jobs as heavy-equipment operators, and *none* received salaries approaching those advertised.

High-pressure salesmen. Commissioned salesmen with glorified titles like "counselor," "registrar" or "educational consultant" make pitches at school career-days or canvas door to door—their sole aim to get a signature on a contract. They often conduct phony aptitude tests anyone can pass. One salesman in Nebraska who talked a woman on welfare into taking an artist's correspondence course administered the "talent test" himself (he gave her a high score). Some salesmen lie about accommodations. A now-defunct airlines-personnel training school headquartered in Missouri once pictured the University of Missouri campus in its brochures. The school's dormitory was actually a boardinghouse over a bar. Sometimes salesmen pose as civil-service officials. For $300 to $900 they sell instructions on how to pass civil service examinations—which anyone can obtain from the Civil Service Commission absolutely free!

Poor-quality education. Frequently, so much money goes into the sales operation of vocational schools that little is left for schooling. During a recent year, one of the nation's largest vocational-school chains spent 65 percent of its gross income on advertising and administrative expenses, and only 15 percent on instruction.

Both prospective employers and public officials are disturbed about the quality of teaching at some vocational schools. Says Dr. Morris Schaeffer, former assistant commissioner of health for New York City, about private vocational schooling in medical technology: "Instructors generally lack adequate credentials, the equipment is poor and there is a lack of practical materials." Dr. Henry Isenberg, head of Microbiology Laboratory at Long Island Jewish-Hillside Medical Center in New York, reports that he is unable to hire 95 percent of those with vocational training who apply for jobs as lab technicians. They are too ill-prepared.

Unqualified graduates. Some students earn a diploma from a career school—only to be left out in the cold because of additional standards they have not been informed about, such as industry or union regulations and licensing requirements. For example, a boy who trained to be a detective couldn't qualify because he was five-foot-six—too short. A girl who completed a stewardess course couldn't be hired because her vision was so bad as to brand her nearly legally blind. After graduating from a broadcasting school, a Chicago man was rejected by 40 stations in the area; all said they wanted someone with experience or a college degree. Though a California school touted its court-reporting courses, none of its graduates had ever passed the state's exam to practice.

All in all, these vocational-school practices add up to what Sen. Walter Mondale of Minnesota has called "the last legalized con game in America." What can you do to protect yourself from them? Before signing up for vocational training, the FTC urges you to ask four crucial questions—not of the schools themselves but of several prospective employers: 1) Would you hire graduates from X school? 2) How many have you hired in the past year? 3) Were they hired because of school training? 4) Did training make any difference in starting salary?

Check also with local and state employment agencies, guidance counselors, unions, trade and professional associations to find out about special qualifications needed in your field. Ask the prospective school for the last year's job placement rate and a list of several graduates whom you can contact as references. Find out whether the school is accredited and by whom. Always visit a resiedntial school's campus before enrolling. Read every contract thoroughly, and never sign one under pressure.[1]

If you decide to drop out of a school, send a registered letter immediately informing the registrar's office—this is critical in getting a refund. If you feel cheated, write a formal complaint to the school, the state licensing agency, the accrediting agency (if the school is accredited), your local or state consumer-protection agency, the Office of Education (if you have a student loan), and the Federal Trade Commission, Room 479, Washington, D.C. 20580. As a last resort, consider filing suit.

Many authorities are now supporting strong state regulations to clean up vocational schools. For example, after Texas put through a tough new regulatory law, about one third of the state's private vocational schools shut down. The Education Commission of the States has proposed model licensing legislation, calling for strict standards of financial stability, equipment and instruction in all states. Congressmen Alphonzo Bell and Jerry L. Pettis, both of California, have introduced a bill requiring the Secretary of Health, Education and Welfare to make a study of the federal government's involvement in funding private vocational schools and to adopt new procedures to prevent students from being cheated.

As Congressman Pettis says, "It is foolish to squander national resources on shoddy education. Students who enter vocational schools deserve—and should receive—a good education."

Mr. PETTIS. The student cases you have in front of you and those that appeared in the various media I cited have all told similar stories about people who have been bilked by con artists and shrewd manipulators out after a fast buck. So far, they've been pretty successful in getting Uncle Sam to give it to them through student assistance programs.

An important point is that these stories have all been about schools or institutions that have been caught—and, maybe, the operators involved in these swindles can and will be prosecuted under existing laws.

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[1] For further information contained in the FTC guidebook on vocational schools, send 40 cents to the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

But I don't think we can rely on existing laws, which, judging by the scope of the problem, have been ill administered at best.

The Government Operations' Special Studies Subcommittee is looking into this aspect of the problem right now and I have no doubt that their actions will result in more vigorous enforcement of existing law, which in turn should help curb the problem.

But what Mr. Bell and I propose is a little stronger dose of preventive medicine—to shut the barn door before the horse gets out, or, in this case, to tighten up Federal criteria for schools participating in student assistance programs before any more students get "taken."

Mr Chairman, there is a great deal of precedent for this step.

I can remember reading about the diploma mills of the early 20th century in this country where you could become a doctor of medicine in 6 weeks if you came up with $100. At that time, the Federal Government financed a study of the medical education system throughout the country and, as a result, we got rid of the the medical diploma mills.

Today, everybody who wants to practice medicine must pass a national, standardized examination. The States still are responsible for licensing physicians within their own State boundaries, but those who are licensed must at least pass one of the national exams.

I believe the adoption of national criteria for participation in Federal student assistance programs, including the GI bill, would have the same effect of protecting the public without treading on States' rights.

The bonding amendment Mr. Bell has mentioned is a good one and I support it. This type of financial surety requirement should get rid of some of the fast-buck operators in the proprietary vocational schools and correspondence course fields.

But I don't think bonding alone is an answer for the entire problem.

I'd like to point out right now that I personally don't consider the terms "proprietary" or "profitmaking" schools in the same class as an expletive deleted. But I think anybody who refuses to accept the plain truth about the fly-by-night bad apples, if you will excuse my mixed metaphor there, that are in this group is simply burying his or her head in the sand.

At the same time, I know that the Orlans study pointed out some abuses in recruiting students to attend traditional post secondary schools. This aspect has not gotten as much publicity, but this type of Federal student aid "come on" to bolster sagging enrollments should be halted right along with unscrupulous trade school practices.

Mr. Chairman, I'd like to end my formal statement by thanking you and this subcommittee for holding these hearings and bringing this problem into the congressional light of day.

Something must be done to protect postsecondary students and to stop the Federal student aid rip-offs. I believe the bill Mr. Bell and I have introduced will accomplish this mission and I trust you will help us in leading the effort to enact stronger postsecondary consumer protection laws.

Thank you.

Mr. GAYDOS. Thank you, Mr. Pettis, for taking the time out of what I know is a very busy schedule to appear with our colleague Mr. Bell. You have made a valuable contribution.

I have one question before I turn it over to Mr. Dellenback for further questioning.

I don't think anybody is trying to leave the misimpression that the fly-by-nights are responsible for the $1 billion deficit, are they?

Mr. BELL. No.

Mr. PETTIS. No.

Mr. GAYDOS. They are a factor in there, but where the percentage lies will be determined after a further investigation?

Mr. BELL. We don't know exactly how much money has been wasted on this situation.

Mr. GAYDOS. Mr. Dellenbeck will continue to ask questions.

Mr. DELLENBACK. Thank you, Mr. Chairman.

I really don't have a great many questions to ask. I thank my colleagues for what has been a good spark to the subcommittee and to the Congress in putting forth this legislation. I think you are to be commended for helping concentrate thinking on this legislation.

I notice, Mr. Bell, in your testimony you allude to figures of hundreds of millions of dollars, and note that it could be potentially as high as $1 billion. Do you have any studies to back this up which could be made available to the subcommittee.

Mr. BELL. Some of this has been from off-the-record sources in HEW. When you consider the number of schools here this has happened, however, you can begin to start estimating the figures, and they get pretty substantial.

Consider just the ones that have been found and caught in this thing—You know there are many others that haven't. Consider the number of students that are having problems with this situation, that are unable to pay their loans and are upset by this whole program.

Mr. DELLENBACK. It is extremely important that we be precise, however, because the unfairness that could arise from this kind of a hearing could spread a pall over a great many schools which do not deserve to have it spread over them.

I am interpreting your testimony and this is what I have remembered you as saying, but I would like it to be clear for the record, that you are not by any means saying that all schools are in this classification.

Mr. BELL. Definitely not, Mr. Dellenbeck. If you recall, in my statement I referred to a distinct minority that have a tendency to muddy the waters for this whole project; but this minority nonetheless accounts for a substantial number of students.

For example, the West Coast Trade Schools had a very substantial enrollment. There are schools in Boston equally guilty of causing big problems in this field. This is not something that affects just one or two or three cities; this problem extends to a sizable number of our major cities throughout the country.

Mr. **Pettis.** If the gentleman would yield, I think one of the ways by which we can get a handle on this would be to look at the record in HEW and the VA and to look at the record of the students who have defaulted on loans and find out why.

I think there is already a pretty good file there. I talked to the VA and they said they can tell you right off whether the default has merit or it does not have merit. I am sure HEW must have some records of this kind.

A second is to take a look at the schools that we have made reference to, and the ones mentioned in the Washington Post and Reader's Digest articles. A check there and you will find that these students were an easy target for manipulators and those people who are out after a fast buck. And when I traced the history of that school in Riverside, I found that was done with very careful design by the people involved; and if you looked at it twice, you would have spotted it a mile off. And the people who live in that community are embarrassed that it happened in a town that is not very large.

I don't think it would be too difficult for us to run this down and get the precise figures you are looking for. Unfortunately, as you know, a Member of Congress does not have the kind of staff to develop the kind of data you are talking about, but I do think it is available from the Federal agencies in charge of student aid programs.

It would not be too difficult to separate the young people who are defaulting or whose money, the taxpayers' money, is lost for one reason or the other, and there are just two reasons.

Some of these students are defaulting, not because they didn't get an education or not because of the fault of the school, but in many instances, they have written to the Government saying, "I am not going to pay this loan because I didn't get the education I signed up to get."

Mr. **Bell.** Many of them were promised jobs, but never got their jobs. About 30 percent, I would guess, of those students that haven't paid back their loans come from trade schools. I think that is a minimal estimate. The exact figure might be even higher than that.

Mr. **Dellenback.** All I am trying to do at this moment, having gotten an understanding very well of what you said about the staff make an intensive nationwide study, is to pose the question as to of the normal member not being such in size or capacity to really whether you did have any other data so that we could incorporate that data in committee records. I understand that you could not have made an exhaustive study.

Mr. **Bell.** A lot of this has come from HEW people that for one reason or other don't want to go on record.

Mr. **Dellenback.** That kind of testimony always leaves me very cold. It is like the anonymous letter. Frankly, I "deep-six" those letters if somebody doesn't have the courage to sign the letter. Whether they are critical or approving, I think the letter ought to be thrown away.

Although I understand what you say, I discount very much anonymous testimony that is not given to us with anything we can put our hands around. It isn't fair to build legislation on that kind of a basis.

Mr. BELL. If the gentleman would yield, part of the reason this problem exists is because the administration for so long felt there was no problem. They were acting for some time as though there was no situation like this. Last week during the testimony before this committee, as you recall, there was indication that they are just now awakening to this and doing something about it, even though it has been going on for sometime and nothing was done about it. The district attorney in Los Angeles is looking into the West Coast Trade School right now.

Mr. DELLENBACK. All I am doing is drawing a line saying we ourselves should not be blind; we should not take every unsubstantiated rumor that someone is unwilling to put his name behind and take this as fact.

Mr. BELL. Basically what I am trying to tell this committee is that they should do an investigating job on this to determine what the exact situation is and what the precise figures are.

Mr. PETTIS. There is one other aspect of this that neither of us have touched on in our testimony, which I think bears some study, and that is the school that is about to go under. I mean it is just teeter-tottering. And how many hundreds of these there are I haven't the faintest idea.

There is one in my district that I know about that just came to my attention not too long ago, but I wonder how many more there are nationwide.

You know, there are very meager requirements for starting one of these schools from a financial standpoint. This bothers me that you can start and advertise a university with $50,000. You can't start a garage with $50,000, and here they talk about facilities and all of this paraphernalia that it takes to get a technical education. It bothers me that you can do this.

Mr. BELL. If I may add another point to this, one of the reasons that this disturbs me relates to the hearings we held recently in our committee on juvenile delinquency. One of the things that came out quite clearly during that testimony was that the young juvenile problem children that go out of high school often want to go to a vocational school, that is the only way they see—down the tunnel—to get job and money.

We encourage them to do this, but then our schools fold up. How much is that adding to the juvenile problem today? I just put that together as an example.

Mr. GAYDOS. Let me ask you. Are you saying that we have too many people attending vocational schools?

Mr. BELL. No. I am saying that we should have a more effective watch over our vocational schools, that there are some that are causing a considerable amount of trouble. They constitute a minority, I believe, but there has been no adequate check by the Federal Government on these problems.

Mr. PETTIS. Well, if one of these youngsters who has had a very poor economic background gets into one of these schools and he finds out he didn't get the education he was led to believe he was going to get, and then on top of that he owes $1,500, he is pretty turned off on society and he may say, "There is no way for me to get out of this situation."

Mr. Gaydos. One of the practical problems we have, and I think you will agree with me, is utilizing television to a great extent. I think all of us have seen this commercial many times. It is on regularly. That is, to make everybody a computer expert.

We all know that you must have a particular mentality and ability to even begin to comprehend the education, because it takes a very articulate mind trained and oriented in that one area; not everybody can be a computer expert. Yet they make it sound so encouraging and so great, that many of our people, our students who have available Federal assistnce, will fall victim to this high-class advertising, enroll in a program, with the result there is no hope at all for them to matriculate even two months at the school. It is a shameful situation. I have heard a lot of complaints on this.

Mr. Bell. Mr. Chairman, on this point, I think it is well to note that the attitude of these schools—which clearly emerges when one reads the information they put out—has been "just get bodies there, get that class full." They pay their advertising people more money than they pay their teachers! That is their main thrust, to get those bodies in that school. They don't care much about the "curriculum."

Mr. Dellenback. Just a couple more brief questions.

Do you know whether West Coast Trade Schools had been accredited by any particular association? Were they a member of any association?

Mr. Bell. No, they were not accredited by any association.

Mr. Dellenback. Do you know about Riverside?

Mr. Pettis. It is interesting. It was accredited for one narrow area of business education, and so they took all the students through this little tunnel, enrolling them and signing them up for student loans through the business school. When they got through that tunnel, they were actually enrolled and taking classes in this "university" which had these vast offerings having nothing to do with business—the only thing they were licensed for in the State of California.

Mr. Dellenback. When you say license, was this a State license?

Mr. Pettis. Yes.

Mr. Dellenback. Was it ever approved by one of the regional associations or any one of the trade school associations or the like?

Mr. Pettis. The business school was accredited by the Accrediting Commission for Business Schools. However, they were turned down three times for accreditation by the Western Association of Schools and Colleges when they tried to get the rest of their curriculum approved, but that never was brought out. Then, they would end run the student and accreditation requirements by signing all students up in the business school no matter wha curricula they were studying.

I would like to bring this discussion back to one thing that both Al and I are talking about as a primary concern, the student assistance aspect of this, which we are responsible for in the Congress. If we don't establish the Federal criteria for schools that participate in the student assistance programs which we fund, who is going to?

Now maybe the States will, but it is the Federal tax dollar that goes there, and that is what I personally—I can't speak for Al—but I personally want to safeguard that Federal dollar a little bit more in terms of students' assistance programs which we fund.

Mr. BELL. I certainly would agree.

Mr. DELLENBACK. I find the thrust of Mr. Bell's testimony pointing away from the Federal Government taking complete control so that we do all of the job. I think there is much wisdom in staying with the two-stage goal. That to me is a more desirable road to walk rather than taking it all over.

Mr. BELL. I agree, Mr. Dellenback. I think it should be basically a State and local responsibility, but with some Federal assurance that it gets done.

Mr. DELLENBACK. Mr. Chairman, I want to end my questions with an expression of appreciation again to both of our colleagues for having started this in the sense of having pushed hard to get us to this particular stage of hearings.

You should both be commended for it. Your service to education and the people in your State is clear, and we of the rest of the Congress are grateful to you for what you are doing.

Mr. GAYDOS. On behalf of the chairman, who is not here, I extend his thanks and appreciation for your testimony.

Mr. BELL. Thank you.

Mr. PETTIS. Thank you.

Mr. GAYDOS. The next witness scheduled is Mr. William A. Goddard, executive director, National Association of Trade and Technical Schools, accompanied by William A. Fowler, executive secretary, Accrediting Commission of the National Home Study Council. Both of these gentlemen are accompanied by Mr. Bernard Ehrlich, legal counsel.

STATEMENTS OF WILLIAM A. GODDARD, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF TRADE AND TECHNICAL SCHOOLS, AND WILLIAM A. FOWLER, EXECUTIVE SECRETARY, ACCREDITING COMMISSION, NATIONAL HOME STUDY COUNCIL, ACCOMPANIED BY BERNARD EHRLICH, LEGAL COUNSEL

Mr. GAYDOS. Gentlemen, I wish to impress upon you that even though all the committee members are not here, that the evidence you are about to give, will be used by all the committee members. Since we have so many things to do, all the committee members can't be present.

You may proceed in any manner you wish.

Mr. DELLENBACK. Mr. Chairman, before our witnesses start, I must apologize for having to slide away again for a while. Each of us has about three places that he is supposed to be this morning.

Dr. Andringa will be following very closely your testimony. I am particularly reluctant to miss this testimony because of my personal high regard for Mr. Goddard and the people he represents.

The testimony he is about to give, Mr. Chairman, is important testimony and it bears out the last thrust of what I was getting at with the prior witnesses. While I think we have a definite obligation to move in and close holes where there are holes, I think it is very important that in our investigation we do not directly or indirectly blanket the whole field with criticism or suspicion. The work that is involved in the type of association that is here represented is already doing, in my mind, a very good job, and they don't deserve—and all of their member schools don't deserve—the castigation and trouble we can give them.

So it is against that background that I repeat my apology, Mr. Chairman, for having to slide off for a while.

Mr. GAYDOS. I thank Mr. Dellenback. You gentlemen may proceed in the manner which you think best.

Mr. GODDARD. My name is William A. Goddard. I am the executive director of the National Association of Trade and Technical Schools [NATTS].

NATTS is a voluntary nonprofit organization of accredited private residence school offering job-oriented specialty training in trade and technical occupations. The membership of NATTS includes both proprietary and nonprofit schools. Although all member schools must be accredited, an accredited school need not apply for membership.

The accrediting commission of NATTS is the accrediting agency listed by the U.S. Office of Education as the nationally recognized accrediting agency in the trade and technical school field and is the only accrediting agency so listed by the U.S. Office of Education.

The broad purpose of NATTS is to establish and maintain sound educational standards and ethical business practices for its member schools, which schools complement, rather than compete with, tax-supported facilities.

I will be available for questioning and will be pleased to answer, to the best of my ability, any questions this committee may have relating to the trade and technical school field.

However, it is the primary aim of this statement to acquaint the committee with the role of trade and technical schools in our educational system and to explain the nature of the accreditation process.

Several studies have been made of vocational schools, including trade and technical schools, which furnish substantial information concerning the role of trade and technical schools.

In 1969, a fairly exhaustive study was published by A. Harvey Belitsky entitled "Private Vocational Schools and Their Students: Limited Objectives, Unlimited Opportunities." The author is on the staff of the W. E. Upjohn Institute for Employment Research, and the study was financed over a 15-month period by the Ford Foundation.

In June 1970 the author published a condensed version of his studies in this field, at the invitation of the Bureau of Higher Education, Office of Education, U.S. Department of Health, Education, and Welfare.

Mr. Chairman, I have for you a copy of the full study by Mr. Belitsky and a copy of the limited portion of the study.

Mr. Gaydos. Thank you. I will accept it on behalf of the subcommittee. Thank you very much.

Mr. Goddard. Thank you.

[The summary version of Mr. Belitsky's study appears in the Appendix at p. 238.]

Mr. Goddard. References herein to Belitsky's studies are directed to the June 1970 condensed report.

The author, at the outset, states (page 1):

> The expected advances in the use of private vocational schools are grounded in the demonstrated capacity of the schools to motivate and train students with various needs and interests for specific occupational objectives.

The author estimates that there are 3,000 trade and technical schools with 835,710 students. He points out that the enrollment in each individual school is small as compared to other types of schools, for the following reasons:

> One explanation for the small size of most of these schools is related to the importance assigned to practical, problem-solving aspects in the courses. It follows that only a short period of time is spent in large classrooms, and the costs of adequate space and machinery in shop and laboratory settings necessarily limit the size of a school building and its staff.
>
> Second, the schools are widely distributed geographically, often either located in cities with less than 100,000 persons or situated within sections of a large metropolitan area.
>
> A third reason is that the trade and technical schools—the primary focus of attention in this study—tend to train for single or related occupations. Nevertheless, collectively, the large number of highly specialized trade and technical schools offer the greatest diversity of courses.

He points out that the variety of occupational courses found in private trade and technical schools reflects the "unique ability" of these schools to respond to the training needs of many industries and professions; and that about 230 different occupational courses were offered in the more than 500 trade and technical schools examined in his study.

As for instruction in these schools, he found that it is highly specialized, with a view to the final employment objective; that the schools maintain close but informal contacts with employers; that course content is readily modified to reflect pertinent changes that are reported to school officials by employers; that decisions to add improved facilities can also be made rapidly; and that this differs from the delays often encountered by public schools and colleges that must seek approval from school boards or legislatures.

He further points out that training is provided in a job-simulated setting; that visual aids and operative equipment are typically more important than textbooks; that classroom or lecture instruction is usually followed immediately by supplementary training in the school shop or laboratory to demonstrate the practical application of the theoretical concepts; that most schools arrange sutdent visits to plants and offices; and that modest home assignments are required because only those theoretical concepts which are relevant to the performance of a job are taught.

As for instructors' roles, he found that each instructor must be critically evaluated, since the referrals of the student body; that the schools are convinced that creditable teaching performances can be insured by making teaching capability the main criterion for reward and advancement; and that instructors are not usually given tenure.

He further found the student-to-instructor ratio to be quite low, with the majority of schools assigning 19 or fewer students to an instructor at any given time.

In conclusion, he found that private vocational schools are likely to experience a consistent growth in enrollments and greater general acceptance as an important training resource for persons who do not attend college; and that the realistic and economically sound recognition and usage of the private schools could be a major means for expanding the laudable goal of equal educational opportunity.

In 1973, Wellford Wilms, of the Center for Research and Development in Higher Education, University of California, Berkeley, published a study entitled "Proprietary Versus Public Vocational Training," and, Mr. Chairman, I have a copy of that study for presentation to the committee.

Mr. **GAYDOS.** I thank you. I accept it on behalf of the subcommittee.

Mr. **GODDARD.** Thank you.

[A summary of the study appears in the appendix at p. 260.]

Mr. **GODDARD.** I will endeavor not to duplicate material already developed by Belitsky, but to point out additional factors developed in the Wilms study.

Wilms develops the concept that proprietary and public postsecondary schools are conceptually—and practically—distinct. The proprietary schools are rooted in the marketplace. Public schools ultimately depend on the political process.

This essential difference determines how each type of school derives its income, allocates resources and, most important, provides vocational training. He says:

> Proprietary vocational schools' income is related to how well their graduates do in the marketplace. Most proprietary schools are relatively small, and they base personnel hiring, retention and promotion largely on performance of tasks dictated by the market.
>
> If their students do not get satisfactory jobs, these schools quickly lose their appeal. In short, the proprietary vocational school derives its income through the market mechanism.

In summary, he points out that proprietary schools must meet the needs of their students and prepare them for occupations better than their competitors for any given cost; they must consider signals from output markets to survive; they are characterized by limited objectives and programs; they are "single purpose" organizations, to prepare students for successful employment; they recognize that their own success depends largely on the occupational success of their graduates and therefore they select students with a high probability for successful placement; they are characterized by flexible operations to accommodate the needs of students and employers; year-round operations and frequent class starts are the norm; their operations show evidence of market incentives to provide effective training at low cost; the market encourages them to experiment and evaluate new approaches; and their teachers are hired, retrained, and promoted on their ability to teach, are not given tenure, and are evaluated frequently by school management and students.

He then contrasts this situation with that of public institutions which do not depend on their performance in the marketplace, but rather on the political process, and which place less emphasis on job placement.

In conclusion, he found that public and proprietary schools march to different drummers, the public schools to the political process and the proprietaries to the market, and that (page 82):

> Proprietary schools need to recruit, train, and place graduates in jobs successfully to get a return on their investments. Consequently, their programs are specific and determined by current labor market and consumer needs.
>
> Governed by the profit motive, rather than political survival, the proprietary schools have a built-in incentive to seek out student markets not served by nearby competing public schools. . . .

But for the limitations of time, many more factors could be developed at length to illustrate the need for and the purposes served by private trade and technical schools.

However, for our present purposes, I believe that I have demonstrated the useful purpose served by trade and technical schools and the need for such schools as a part of our educational system.

Mr. Chairman, with your permission I should like to summarize the remainder of my presentation, if it may be possible to enter the entire presentation in the record.

Mr. GAYDOS. Yes. There being no objection, your entire discourse will be entered in the record and available to the other members for close study and scrutiny.

[The prepared statement follows:]

STATEMENT OF WILLIAM A. GODDARD, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF TRADE AND TECHNICAL SCHOOLS

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But for the limitations of time, many more factors could be developed at length to illustrate the need for and the purposes served by private trade and technical schools.

However, for our present purposes, I believe I have demonstrated the useful purpose served by trade and technical schools and the need for such schools as a part of our educational system.

With this background, I would now like to acquaint this Committee with the accreditation process as carried out by NATTS—how it works, v[illegible] it does and the results accomplished.

At the outset, it should be remembered that the accrediting process is purely voluntary. No school need apply for accreditation. Although the membership of NATTS is composed of accredited schools, an accredited school need not be a member.

The objective of NATTS, as stated in its Constitution, is

"To promote high educational standards and ethical business practices in the trade and technical field.

"To cooperate with local, state and Federal authorities and business, commerce and industry in the maintenance of high standards and sound policies in the field of trade and technical school education.

"To develop a national accrediting program for the trade and technical schools on the basis of established Federal standards."

Accreditation is intended to be a means of assisting good private trade and technical schools to become better schools; a means of assuring the public of high quality trade and technical education offered by private schools; and a means of setting standards to which all trade and technical schools can aspire.

The Board of Directors of NATTS has established an Accrediting Commission of nine members, five representatives of trade and technical schools and four outstanding persons from outside the private school field. The Accrediting Commission has authority to determine whether or not individual schools meet the standards set by NATTS. Each school is judged in the light of its announced objectives. Accreditation carries no intent of standardization of either objectives or school operation.

To initiate the accrediting process, an applicant school makes a study of its own operation according to an outline provided to it. Fast and material evidence are assembled into a Self-Evaluation Report, copies of which are provided for study by the Visiting Team and the Accrediting Commission. This is part of the whole evaluation process by which schools are stimulated to continuous improvement. This Report and the accreditation process is expected to induce an institution to reassess its objectives, its resources, its program, procedures and achievements. The preparation of the Self-Evaluation Report requires a detailed and searching examination of the entire operation of the school—its objectives, its study program, its course content, and its business practices.

After receipt of the Report, the Commission arranges for a Visiting Team of knowledgeable persons to visit the school personally. The Team normally includes a member familiar with the management, administration and business aspects of private school operation; an educator familiar with trade and technical school instructional methods and educational processes; a subject-matter specialist for each major field offered; and a representative of the Commission.

The Visiting Team verifies data in the Self-Evaluation Report, seeks additional data and in general develops a clear understanding of how well the school meets each of the standards. The Team is free to confer with instructors, other school employees, students, graduates and employers of the graduates in making an assessment of conditions, courses of study, and effectiveness of the school.

Each member of the Visiting Team prepares a factual report of those phases of the visit for which he is responsible and submits it to the Team Leader, who integrates the report in proper sequence, caps it with a summary of strong and weak points and submits it to the Secretary who reproduces the Report and supplies each member of the Commission with a copy.

Following the Team visit, a File Review Committee prepares a File Report describing its findings. A copy goes to the applicant school which has a period to comment on the factual elements of the File Report and to submit any additional written materials it desires to place before the Accrediting Commission in response to the Report.

The Accrediting Commission meets periodically to review all the evidence with respect to each applicant. An applicant school, upon request, is given an opportunity to make an oral presentation before the Commission.

In light of the school's announced objectives and the Standards, the Accrediting Commission will accredit, accredit with stipulations, defer action, or deny accreditation. The Commission's decision is not subject to review by any other organ of NATTS.

The accreditation process is carried out under general policies which may be summarized as follows:

1. Each school is judged in the light of its overall picture reflected against its announced objectives and the Standards. Strengths in some respects may be allowed to compensate for noncrucial and correctable weaknesses in others.

2. Only private schools with a definite trade and technical education objective are eligible for accreditation.

3. The Commission reserves the right to limit the scope of its review to classes of schools for which it feels adequate standards have been developed and for which it has competence to review.

4. Upon accreditation, a tentative time is set for a complete re-examination, within five years. New schools, schools with mild but remedial weaknesses, rapidly changing schools and schools with recent changes of ownership will be re-examined at shorter intervals.

5. Schools must notify the Secretary immediately of changes in ownership, management, contractual affiliations with other schools, additions or major changes of courses, and items that could substantially affect the school's policies, staff, curricula, reputation, legal or financial status.

6. Accreditation does not automatically transfer with changes in ownership.

7. Annual reports are required from all acredited schools. The Commission may seek continuing evidence of compliance with standards and may request special reports from some or all accredited schools.

8. New non-related courses in accredited schools must be evaluated within three to six months after classes are in session.

9. Schools automatically become eligible for NATTS membership when accredited, but are not required to be NATTS members.

10. A directory of accredited schools is published annually and supplements showing newly-accredited schools are issued after each meeting of the Commission.

As a further step in the accrediting process, every applicant for accreditation or re-accreditation is checked with the local Better Business Bureau, the local Chamber of Commerce, the regional office of the Federal Trade Commission, the Consumer Protection Bureau, the State Department of Education and/or the state approval agency and the Post Office Department. Every application for renewal of accreditation is checked with the state loan agency.

Any complaints received from any of these sources, as well as from any other source whatsoever, whether with reference to an accredited school or not, is promptly investigated under complaint procedures established by the Commission.

I have referred to Standards which a school is required to meet in order to be accredited. Time does not permit a detailed statement of the Standards, but it should suffice for the present to point out that detailed Standards have been established covering the following general categories: educational objectives, courses and curricula, faculty, size of staff, student services, student success and achievement, admission policies and practices, enrollment agreements, tuition policies, refunds and cancellation, student recruitment, field agents, physical facilities, management, financial responsibility and self improvement programs.

Appellate procedures have been established affording due process to any school which wishes to appeal from an adverse decision.

Needless to say, all information obtained in the accrediting process is highly confidential.

In conclusion, I may say that I have not attempted to address myself, in my statement, to any specific problems which may be of interest to this Committee. I repeat that I am ready and willing, to the best of my ability, to answer any questions the Committee may have with respect to the operation of trade and technical schools. The main purpose of my statement, which I believe I have carried out, is to acquaint this Committee with the importance in our educational system of available trade and technical schooling, affording training opportunities for employment which are not available elsewhere; and to point out to this Committee the purpose of NATTS, through the accreditation process, to make available to students quality education in the trade and technical fields, with specific emphasis on training directly related to successful trade and technical employment opportunities.

Mr. GAYDOS. You may continue in any manner you wish.

Mr. GODDARD. Thank you.

I would like now to acquaint the committee with the accreditation process, how it works, what it does and the results accomplished.

Mr. GAYDOS. Before you proceed, I would like to make a comment and ask you a question.

As I understand your testimony to this point, you have made an excellent case in establishing the fact that there is a need for private vocational schools. I think you have done it quite well and I think the facts that you have placed before the committee in the permanent record will indicate that there is unquestionably an unquestionable need, a need that we have never questioned.

The problem I think we have—and I haven't participated in all of these meetings—the problem I believe that we have to consider is the type of institution that doesn't meet the criteria or doesn't fall into the category you have described.

The problem we have seen is the fact that there are some institutions that don't meet the criteria as such, but survive through one way or another; those are the culprits that we are after.

I would have to say that I don't think any of the committee members or our colleagues generally question the need for the proven vocational private training institutions that we have in the country. In fact, I equate them along the lines of higher education because as a high school graduate is prepared to matriculate into some higher institution so it is when a vocational trainee leaves a public school and then progresses into a more specific type of training program and I think competition in the private vocational institutions is very nill today.

The community colleges emphasize the arts and sciences. There are very few—I am speaking of the State of Pennsylvania—that go into the area where private vocational schools would be filling that gap or need in our society.

We do have some. For instance, a regional school for accounting within the State of Pennsylvania where students can matriculate after graduation from high school, but by and large most of these needs are met in the private sector by private schools.

I have not heard to date any question or any debate regarding the need for the institution but I do want to compliment you on putting it in proper perspective. You present it very clearly, and the references you have made to the documentary evidence ar excellent and I am sure the committee is going to be able to present this on the floor, if and when it is presented, in a much more knowledgeable way which would be understood by our colleagues.

The committee here will have the benefit of your testimony, but when we go on the floor the members are cold. They have their own problems and it is a matter of trying to influence and educate them in a very limited period of time, and usually the rule would allow only 1 or 2 hours.

So, I think in that area and for that purpose your testimony to this point is going to be most valuable.

I do want to conclude with the observation that I don't think you are going to have any problems with any members of the committee or this Congress generally as to the need for private vocational schools. They are functioning properly, the majority of them. They are filling that great need and nobody is trying to eliminate them, so I don't think you have to defend that position.

Mr. GODDARD. Thank you, and that is very reassuring at this point in time for us. We certainly share your concern and the committee's concern for this very small minority of schools that would be causing the problems that we have been discussing.

Mr. GAYDOS, I have a question that gets right down to the meat of the problem this committee is now wrestling with, and that is how do you accredit and where are we weak in the accreditation process and how should it be changed?

Mr. GODDARD. The first point to remember is that accreditation is a voluntary process.

Mr. Gaydos. I am going to interrupt you a little, hopefully to clarify the record for the benefit of my colleagues who aren't here as they had to be someplace else.

When you say it is voluntary, do you think it should remain voluntary? I hope I don't interrupt your line of thought, but I want to try to make this a comprehensive type of response from you because you are one of our most informed witnesses. We don't get too many people with your background before us. Let me ask you at that point should it remain voluntary?

Mr. Goddard. Yes, sir; I believe it should and I believe it must.

Mr. Gaydos. All right. I will ask you why later but you go ahead.

Mr. Goddard. Please do. The membership of NATTS, the organization I represent, is composed of only accredited schools. However, the schools we accredit do not need to apply for membership.

Accreditation is primarily a means of assisting good schools to become better schools, a means of assuring the public of high quality of trade and technical education offered by private schools and a means of setting standards to which all trade and technical schools aspire.

Our commission is composed of nine members. It is an autonomous group. It answers to no other organization of the association. Five of the members are from the private trade and technical school field and four are from outside of the field itself.

Mr. Gaydos. Let me stop you right there. You have extensive investigative work which must be undertaken. You have to have personnel, secretarial services, facilities, and things of that nature. Who pays for it?

Mr. Goddard. I guess you could say that business and industry pays most of the cost of accreditation.

Mr. Gaydos. You mean the foundations?

Mr. Goddard. No, sir. We use experts from business and industry to do a good part of our evaluation. The actual manpower, the great majority of the manpower is recommended to us generally on a voluntary basis through professional organizations, societies, unions, trade organizations and so forth. They recommend to us the people that they feel are best qualified in their areas of industry.

Mr. Gaydos. At that point I would like to ask you, comparing this operation to others in the private sector, do you find from your own personal experience with your approach to the subject matter that people who don't get paid don't produce too much?

Mr. Goddard. No, sir.

Mr. Gaydos. You don't. And let me ask you another thing. Those that volunteer as such, do they quit any time they want, are their services disposed of, or does someone tell them, well, we don't need your services any more? That is a very practical question.

Mr. Goddard. In the process we do actually use great numbers of people of this nature. They are voluntary, recommended to us, and they actually consider what we are doing a professional obligation. They are usually people quite loyal to their own field and they want to determine that the people being trained and coming into their field are competent. They are generally many employers of the output of the schools that we are evaluating of the type of schools.

Mr. **Gaydos**. The institutions that are eventually accredited, do they pay for this service in any way?

Mr. **Goddard**. The institution does pay a fee. The institution does not pay all of the fee, however.

Mr. **Gaydos**. Let's take just an example so that we would have a semblance of an understanding as to what kind of costs would be involved and the process generally.

Mr. **Goddard**. Okay. Well, the average cost to an applying institution is about $600. I would say that is a good average cost. Now, it could go higher because we do charge the institution according to the number of people that are necessary to go on an examining team.

Mr. **Gaydos**. What would be your highest cost in your experience that you have charged an institution? $1,000?

Mr. **Goddard**. Well, for an institution that trains several thousand students, has an enrollment of several thousand students, the cost could go possibly close to $1,500, but generally the average, I believe, is very close to $600 and with costs going up someday we may have to increase that somewhat.

Mr. **Gaydos**. Have you ever in your experience turned any institution down?

Mr. **Goddard**. Yes, sir; we turn down a significant number of applicants and have in fact turned down for accreditation schools that have been discussed previously at hearings such as this.

Mr. **Gaydos**. Have you provided for some type of appeal procedure?

Mr. **Goddard**. Yes, sir.

Mr. **Gaydos**. Do they pay another fee when they reapply?

Mr. **Goddard**. In some cases it would be necessary such as in case the school reapplied after being turned down. If the school would appeal about the only other expenses that would normally be required would be the cost of the people, the travel expenses the people would spend to appear at the hearing.

Mr. **Gaydos**. That institution that was turned down, could it continue to operate? Generally it can, can't it, without your accreditation?

Mr. **Goddard**. Eighty-five to 90 percent of the private vocational schools in this country are not accredited.

Mr. **Gaydos**. What do you think we ought to do about that?

Mr. **Goddard**. Well, I think it should remain a voluntary process. Those schools that don't wish to seek our endorsement should not have to if they see no need for it. I believe, however, that there should be very strong State legislation to assure the public be protected.

Mr. **Gaydos**. Would you go so far as to advocate and recommend Federal legislation in this area that would apply to all 50 States in all categories, minimum requirements?

Mr. **Goddard**. Well, I have not given that full consideration. I am not sure that I would recommend that at this time. I think that approximately 40, 35 to 40 States do have legislation in this area.

Mr. EHRLICH. Mr. Goddard is a member of a task force of the Education Commission the States and I served as a legal consultant, just participating. We completed a project with the education commission of the States to develop model State legislation. This job has been done and has been published and so there is available now and is being pushed by the education commissioner of the State model legislation to take care of this matter and it is now available. It has just been of recent duration. It has not been for a period of time.

Mr. GAYDOS. Does the committee have that study available?

Mr. EHRLICH. I would imagine they do.

Mr. GODDARD. A school would actually apply for accreditation on a voluntary basis.

Mr. GAYDOS. I really apologize, but I have got to ask you. You are such an informed witness I do have to interrupt you. Do you advertise that your services are available or is it just by circumstance that the rumor goes around among the industry as such that you are available?

Mr. GODDARD. We do not advertise as such. However, I feel reasonably sure that the industry as a whole is aware of our activities.

Mr. GAYDOS. I promise not to interrupt you any more.

Mr. GODDARD. It is no problem. I appreciate the help.

The schools in applying for accreditation give us basic information and at that point start on a self-evaluation process. We consider this a very important element of accreditation.

The school very thoroughly examines itself in the areas of instruction, student services, management, and all other areas of school operation and then sends to us according to our guidelines a report of that self-evaluation very clearly describing to the accrediting commission what that institution is, what it purports to do, how it does it, when it does it and what its success has been.

The accrediting commission then sends a team of experts to the school. The team will consist of a school management specialist, an educator versed in our type of training, and a subject specialist for each occupational area in the field in which the school provides the training.

Then it would also consist of a member from the accrediting commission itself, either a member of the commission or a member of the commission staff as a coordinator to help standardize the level of evaluations.

This team that visits the school carefully examines the data supplied by the school on its own self-evaluation and verifies this data and at the same time develops additional information about the school and its offerings.

Each team member prepares a report. The report is somewhat summarized by the chairman of the team and all of the individual team member reports and the summary by the chairman are sent to members of the accrediting commission.

The commission meets quarterly to examine these applications and then the commission may accredit, may accredit with stipulation, may defer its action pending receipt of additional information or even giving the school an opportunity to correct a minor weakness or, of course, the commission may deny accreditation which it must do at times.

The commission's decision is not subject to any review by the organization, NATTS.

I have included in my prepared remarks several other general provisions, general policies of the commission and I did want to emphasize the fact, however, that as a step in the accrediting process every applicant for accreditation or for renewal of an accreditation is checked carefully with local better business bureaus, the local chamber of commerce, regional office of the Federal Trade Commission, and of the U.S. Office of Education, the Consumer Protection Agencies, the State Department of Education, and State approval agencies and even the Post Office Department.

Every application for renewal of accreditation is even checked with the State guaranteed loan agency.

Any complaints that we receive from any of these sources whether or not a school is accredited is promptly investigated under complaint procedures established by our accrediting commission.

Needless to say, all information obtained in this crediting process is confidential.

In conclusion, I want to say that I have not attempted to address myself in my statement to any specific problems which may be of interest ot the committee. I do repeat that I am available for questions in any respect to the operation of trade and technical schools and I believe I have acquainted you with the importance in our educational system of available trade and technical schooling, affording training opportunities for employment which are not available elsewhere and to point out to this committee the purpose of NATTS through the accreditation process to make available to students quality education in the trade and technical employment opportunities.

Mr. GAYDOS. I want to thank you on behalf of the committee and I immediately accept your kind offer that you would be available for any further explanation or questions, so we will make a notation of this and we will probably bother you to death, because this is a subject that has not received too much review generally.

Let me ask you several questions, if I may.

I did keep my promise not to interrupt you. When you are an accrediting commission how do you judge the extent of the purpose of the institution, for instance, what its objectives are? How do you judge that? Could you be biased in any manner?

Mr. GODDARD. I don't think so. I think our criteria is quite clear in that respect. We do only evaluate schools with a definable occupational objective, employment objective.

The training must lead to a job or to advancement on a job, and we require such comprehensiveness in the stated objective of the institution to qualify for the job.

Mr. GAYDOS. Are you saying in so many words that you are looking at the success of the institution, how it has performed to date, how many it has placed in possible employment areas, or what their end product looks like as far as you are concerned?

Mr. Goddard. Yes, sir.

Mr. Gaydos. That is requiring a judgment, isn't it?

Mr. Goddard. Yes, sir.

Mr. Gaydos. Have you had any complaints registered with your commission that you are unfair?

Mr. Goddard. Oh, yes.

Mr. Gaydos. How do you handle them?

Mr. Goddard. Well, the complaints interestingly enough are much more frequent in areas of what you might call denial of accreditation rather than areas of problems with schools which the commission has accredited.

We are frequently accused of being quite hardnosed in our evaluation process and of being unfair in denying accreditation to some institutions. Of course, we have the other problems, too. These schools sometimes do generate complaints. There have been misunderstandings and there have been mistakes made and we do get those complaints also.

Mr. Gaydos. You made quite a point of reiterating several times that all the information that you require in reaching your decision is kept strictly confidential. I appreciate the point you are trying to make but representing the committee and possibly being influential as far as what the ultimate legislation is going to be on the floor of the House, let me ask you: We have to see people generally in the whole concept. Don't you think there are some areas of your operation that should be made public, that should not be kept confidential, that there should be a public comparison that would be beneficial?

Mr. Goddard. There are certain areas. However, the confidentiality of the accrediting process is extremely important to the process.

Mr. Gaydos. I would like to understand that. Could you give me a little detail on it?

Mr. Goddard. Yes, sir; thank you.

I believe that the greatest value of the confidentiality in the process with the institution is the confidence that the institution is willing to place in the accrediting process.

By assuring confidentiality we are able to encourage the school, its faculty, its administration, its students, the other agencies that we survey to give us everything, ot tell us everything they know, to bare their souls to us in this accrediting process, and to destroy that element of confidentiality would mean that some of these people would merely fill out the forms. We feel that we are now able to gain the confidence to encourage all of these participants in the accrediting process to give us their true feelings on every aspect of our evaluation.

Mr. Ehrlich. Mr. Chairman, on the other hand, there are aspects of the process that are open. For example, on accrediting visits we do invite and have accompany us State officials and observers so they are able to see the accrediting process.

Indeed, in a number of States that process is accepted because they have participated in the process. In addition to the Office of Eucation under their criteria, we are constantly being checked to be sure we meet their standards and criteria. So there are built in steps here that people are able to see exactly what the accrediting process is, but the precise information is confidential as far as the school is cncerned. We are under some legal restraints to observe proper due process until the accrediting commission takes final action.

There is also in the process that before the commission makes a ruling as far as the school is concerned that the school is given the chairman's report so they have an opportunity to see what is the situation there and they have an opportunity to respond before the commission makes a decision.

So, we try to build in both fair play, due process and an opportunity for input at all stages.

Mr. **Gaydos.** Every time there is a secret and a veil over something, your antenna goes up and there are some questions that are raised. I am not trying to be facetious or critical. I am just trying to gain information.

I hope you don't interpret my questions as disrespectful or as accusing you of doing something surreptitiously.

Mr. **Goddard.** Not at all, sir, and I did not intend to imply by use of the word "confidentiality" that we meant secrecy. We do not have secret evaluations. Everybody involved in the evaluation knows what is going on.

Mr. **Gaydos.** So, if a turndownee wanted to take you to court to force you to accredit their institution or their activities they would have available to them all the facts at your disposal.

Mr. **Goddard.** The institution has available to it in advance of consideration by the commission the facts that have been developed and has an opportunity to respond to these. In addition, as Mr. Ehrlich pointed out, we have great numbers of observers from official sources, agencies, and private agencies, consumer protection groups, better business bureaus, as well as all of the government agencies who go with us and who evaluate the evaluators, you might say, and we keep no secrets from those observers in the individual school process.

However, we do not make it a practice of publicizing every bit of available information that we secure about a school.

Mr. **Gaydos.** I have several questions passed to me by counsel and they need the response to these questions because we put them on a spot many times in our deliberations. So, I would like to ask you these questions: Do you consider any level or certain level of dangers when we are talking about a local institution depending upon loans, Government loans? Do you have any kind of concept or criteria or a policy that would set some kind of a level or percentage that a school should operate in as far as what they depend on as far as loans? How many students participating in the Federal program, whether all of them or, 50 percent, what is dangerous or do you see any danger at all?

Mr. **Goddard.** Well, while we set no percentage the commission would certainly be concerned if it detected over-reliance by an institution on programs such as the student loan program.

Mr. **Gaydos.** Well, if they were a good institution and that is all they had, do you think you are a little bit harsh in that?

Mr. **Goddard.** Well, we don't establish a precise percentage. We would in some institutions possibly feel that the institution could afford in a sense, to have more students under aid programs than other institutions could.

Mr. **Gaydos.** Do you have any opinion whether or not a propietary or any school should be approved as a lender of funds to students that are matriculating there?

Mr. **Goddard.** I have no firm opinion as such. However, I don't think that bankers should be in the school business and I guess you can say that perhaps schools should not be in the banking business.

As a lender I am not sure what you mean. There would possibly be a very few, a very limited number of institutions who could perform very well as lenders but generally I would say they should not be lenders.

Mr. **Ehrlich.** In addition, Mr. Chairman, it might be well to point out that in the very beginning a mistake was certainly made both in the legislation and the administration of the loan act to allow many schools to become lenders without the kind of criteria or regulation needed to make sure——

Mr. **Gaydos.** That is what we are talking about.

Mr. **Ehrlich** [continuing]. Needed to make sure that the schools that became lenders were those that could handle it. The vast majority of schools certainly ought not be in the lending business and we are only sorry that some of the things that HEW is now doing weren't done at the beginning of the program.

Mr. **Gaydos.** We are now getting into the collection business because they are defaulting. Do you think the school would be in a better position to be the collector rather than the Government?

Mr. **Goddard.** Of the Federal financial aid programs? No, sir, I don't.

Mr. **Ehrlich.** What is needed and what doesn't occur is that the lender and the school have not been working together. Many lenders, for example, view with alarm the problems that they have in terms of spending the money to actually do the collection. Their rate of return has always been of concern to them. Our schools are concerned because in many cases the school doesn't know whether the student has the loan or not.

We have been talking for years about these computers that are going to spill out the information for the schools but we have time and again asked HEW, for the information we need, and they cannot tell so that what is needed is for schools to know precisely who are these people who have defaulted in the program and then work together with the lenders to collect.

In working together where the school can help as the school usually keeps a closer contact with the student than maybe the bank would and they both need to work closer together.

Mr. **Gaydos.** Offhand does anybody have any figures about what we are talking about dollar-volume-wise in this area of this program or proprietary schools? How much business do we do a year? Does anybody know? How big is this business?

Mr. **Goddard.** In dollar volume. No, sir, I have heard figures quoted from Government agencies going up into billions of dollars but I have no idea.

Mr. **Fowler**. On the matter of schools acting as lenders, I think there is something to be said on the other side, though. In several instances it has only been possible for correspondence school students to have access to Federal guaranteed home study loans because schools could be lenders.

In many instances these schools have not been able to gain student access to loan money from third party lenders and it has only been because the school has been able to be a lender itself that the student has had an opportunity.

Mr. **Ehrlich**. When you talk about home study, there is no State guarantee program that will provide for loans for home study students.

Mr. **Gaydos**. On the general question of accreditation, would you recommend or would you support a Federal policy that all such educational institutions receive your accreditation?

Mr. **Goddard**. For participation in the programs? Yes. It should be a voluntary process but I believe that the Government needs the benefit of our type of evaluation.

Mr. **Ehrlich**. One of the Congressmen talked about a school that did not receive accreditation from the NATTS organization.

I wonder if the committee is aware that when the program was first enacted by the Congress some schools in 16 or 18 States were blanketed in based upon State law.

There was no real control over those States other than the State itself. Later when accreditation came in those schools were still given 5 years after the date of accreditation either to become accredited or get out of the program.

We have found in some of the statistical information provided to us mostly by State guarantee agencies that in the trade and technical field many of the problem children in this area were those who were brought into this program under the State law. As an example, the West Coast Trade Schools were brought into this program under a State criteria with no accreditation. Then the school had some problems. We would like to make it clear that the school did not achieve accreditation and the problems should not be laid at the doorstep of accreditation.

Mr. **Gaydos**. Let me ask a practical question. If that came about how would you physically and technically handle all those applicants?

Mr. **Goddard**. I believe we could physically handle it because great numbers of the schools will see no direct value in accreditation and the Federal programs. By far the great majority of the institutions do not at this time participate in any of those Federal programs that have these monetary connections and many of them do work under other programs that don't require accreditation such as vocational rehabilitation, the GI bill, but I don't see any great influx of applications for accreditation since for the past number of years accreditation has been regarded as I guess you might say the best available evaluation.

Mr. **Gaydos**. You see no practical problem then in handling these?

Mr. **Goddard**. Yes that's right sir.

Mr. **Gaydos**. The probably expected increase in accreditation?

Mr. GODDARD. We wouldn't really expect an increase. We have been through that period already.

Mr. GAYDOS. The question has been raised, and counsel would like to have an answer if you could make it available, where you are making available loans to students and if we did follow the procedure where the lending institution would be the matriculating institution or the attendee where the attendee has decided to go and he has transferred along the line, where would the funds come from?

Mr. EHRLICH. Were you making that request of home study?

Mr. HARRISON. Yes. Essentially what would be your experience where the home study schools are the lenders, where is the source of the funds? Essentially one lender to one school?

Mr. EHRLICH. May I suggest, Mr. Chairman, maybe we ought to let the Home Study Council testify because this is the wrong witness for that kind of question.

Mr. GAYDOS. Oh, you are the man.

Mr. FOWLER. Do you want me to answer the question?

Mr. GAYDOS. Yes, please.

Mr. FOWLER. The question as I understand it is——

Mr. HARRISON. What is the typical pattern?

Mr. FOWLER. If it is approved as a lender?

Mr. GAYDOS. As I understand, where do they get the money from. Is that right, Mr. Harrison?

Mr. HARRISON. Yes.

Mr. FOWLER. The school approved as a lender to be eligible has to be an accredited school, and has to have been in business for 2 years. It must have resources based on its school activity and it must demonstrate to the Office of Education that it has sufficient resources to be approved as a lender.

In certain of our schools such as Bell and Howell it is part of the corporation and can draw on the corporate resources as being available, so their ceiling as a lender would be higher than a smaller school that would have only its own school resources available to it.

But, yes, the resources of the school itself are what are used to provide——

Mr. HARRISON. Or the corporate entity.

Mr. FOWLER. Yes.

Mr. HARRISON. Is that the prevailing pattern where you have essenially one source of funding or a school which simply makes connections for students with a whole variety of lenders? Or is there a pattern?

Mr. FOWLER. Your question was about schools as lenders, and that is where the money comes from. Now, in many cases the school has either a ceiling that is lower than the need or it has not sought to be approved as a lender, then it has had to go and try to make arrangements or have the student make arrangements with a third party to borrow the money.

Mr. HARRISON. One particular third party in most cases.

Mr. FOWLER. In some cases, yes. In some cases there have been many third parties in many areas.

One of the difficulties with home study students is that they don't have established credit ratings or bank accounts so it is difficult for that kind of students to walk into a bank on his own and arrange for a loan. Therefore the school has, in many cases, acted as a middleman to help the arrangement but in that case the loan is by a third party.

Mr. GAYDOS. May I suggest to you respectfully that we end up with all those questions.

We are a little short of time, Mr. Fowler, so you may proceed with your prepared statement or a summary, if you wish.

Mr. FOWLER. All right, I would be very happy to summarize.

Mr. GAYDOS. There being no objection, your statement will be made a part of the permanent record and again I want to assure you along with your colleagues that it will be made available and is available to our committee for further study.

I don't want you to think that it is going to get less attention because it is not given orally. I guarantee you that is not the case.

Mr. FOWLER. Thank you. I will very quickly highlight what I have in my statement by reading certain parts of it. Then I will be available also to answer questions if you have any.

I am the executive secretary of the Accrediting Commission of the National Home Study Council and I also serve as the executive director of the National Home Study Council.

The National Home Study Council is located at 1601 18th Street, NW., Washington, D.C. It is a non-profit educational association of some 158 accredited private home-study schools.

The accrediting commission of the council is the accrediting body listed by the U.S. Office of Education as a nationally recognized accrediting agency in the private home-study school field.

The accrediting commission of the National Home Study Council is also recognized by the National Commission on Accrediting, which was established in 1949 for the purposes of coordinating accrediting activities in higher education and giving nongovernmental recognition to reliable accrediting agencies.

The only real significant difference in our procedures is that we do not always have a subject specialist visit the school because he can receive the course materials, review the course, and make his evaluation without going to the school.

Mr. GAYDOS. Are home-study programs increasing in volume?

Mr. FOWLER. Are the number of students increasing? I would say yes, the number of students enrolled in home-study schools is increasing but not at an accelerating rate. It has been a relatively consistent increase over the past 10 years.

Our accrediting commission also has nine men and women who serve on the commission. Five commissioners represent the public and four are executive officers of accredited schools. The commission is, to our knowledge, the only recognized accrediting agency in the country with a majority of public commissioners.

To provide additional assurance of independence for the commission, the NHSC bylaws provide that no school may be represented on the commission and the council's board of trustees at the same time.

The commission has established a set of education and ethical standards which all schools must meet in order to become accredited.

In addition to educational standards, these standards require accredited schools to:

Enroll only students who can be expected to benefit from hte instruction.

Show satisfactory student progress and success.

Be honest in its advertising and promotional materials.

Carefully select, train, and supervise its field representatives.

Show ample financial resources to carry out long-term obligations to students.

Use reasonable tuition collection methods and have a satisfactory refund policy.

Demonstrate a satisfactory period of ethical operation.

All schools must undergo initial and periodic evaluations, with every school being reaccredited at least every 5 years. Schools furnish the commission comprehensive reports each year, and the commission can remove accreditation from a school for failure to meet the published standards.

Special reviews of schools are conducted when the ownership of the school changes hand or when serious problems are in evidence at a school. Complaints against schools are carefully analyzed on a continuing basis to ascertain problems, and examination reviews are promptly ordered if necessary. The procedures are much the same as NATTS.

There is onsite examination, surveys of outside agencies to determine the reputation of the school, decision of the commission with appeal and due-process procedures.

The commission has always been intensely aware of its role and responsibilities in the area of protecting the education consumer, and the commission's responses to the needs of consumers predates the consumer movement in this country.

The accrediting commission was one of the first agencies to adopt a policy for the settlement of tuition accounts. This policy is one of the most liberal, to the student, of its kind. It is a performance-based policy that allows students to receive nearly half of their tuition back if they discontinue at the midpoint of their studies. This study was recognized by Congress and major provision included in the 1972 amendments to the GI bill.

Since 1969, accredited home study schools have been eligible to participate in the guaranteed student-loan program administered by the Federal Government since Congress in its wisdom recognized that American citizens ought not to be denied the opportunity of enrolling in the educational institution of their choice because of lack of funds.

The commission, aware of the possibility of abuse in this program, adopted special standards and rules for home-study schools with students participating in the GSLP.

These special standards go far beyond the regulations and controls set up by Congress and the Office of Education and have been the chief reason why, as a March 1974 Office of Education paper analyzing home-study school involvement in the program stated: "Overall default claims for (home study schools) were relatively small."

With respect to eligibility of schools for the loan program, we believe:

1. Each qualified student should have the opportunity to enroll in the school of his choice. A student who chooses to enroll in a program offered by a quality private vocational school should not be denied the chance to prepare for a better life because such schools are ignored or excluded from eligibility by such legislation.

2. Accreditation has proved to be a practical and workable method of identifying quality schools, and attempts to discredit it do not look beyond to an alternate system that would be more effective.

3. Accreditation should be the basic requirement for eligibility with additional specialized requirements being added if necessary for specialized programs.

4. An accrediting commission should not and cannot enforce Government program regulations, rules of procedures, without the implementing authority and additional resources.

The fundamental concept underlying our accrediting program is this: Does a school meet the prescribed standards established by its peers as evaluated in light of the school's stated objectives?

One of the areas that has come up for discussion several times is the matter of student's complaints and reviews of shcools in special truble with an accrediting commission. On page 7 of my statement I have addressed the matter of complaints and just would like to quickly summarize by saying that we receive a relatively insignificant number of complaints in terms of the overall volume of enrollment of the school.

For instance, we received in our office 301 complaints last year and that would amount to about 1 complaint for about every 7,000 but that doesn't mean that we don't consider complaints a serious thing.

We do take fast action and seriously look at not only the complaint itself, but the reasons why the complaint may have been made.

Of the more than 300,000 veterans and servicemen enrolled with home study schools, the NHSC received complaints from only 1 out of every 10,000 veterans enrolled.

Every effort is made to find an equitable solution to a complaint, and virtually all student complaints are resolved to the student's satisfaction.

It is also our experience that students do not and have not complained about the failure to get a job after completing their training, yet the concern by some regulators for completion and placement data is all too evident.

In home study, completion of a course is not an absolute in order for a student to derive genuine satisfaction or achieve his personal career objectives.

Home study is an independent method of study well suited for individuals with personal goals, and statistics on completion can never tell the whole story.

I might say that correspondence education is adult education.

Most students of home study schools are adults. They range from 24 to 35 years old as an average, so we are not talking about younger people who have not had the experience to make up their own minds.

Most home study students are adults who make a considered decision.

It was widely reported by certain Federal agency officials that vocational schools are the No. 1 complaint problem with the Council of Better Business Bureaus, and when we attempted to document the charge we did not find any support for it. Such sweeping generalizations damage the reputation of our schools and do a great injustice to them.

Now, I would like to turn to the day-by-day work of our commission. In carrying out the accrediting program, the commission makes use of qualified peer evaluators who visit schools and file detailed reports.

Last year 35 accrediting visits were made to schools and more than 125 NHSC school staff members were involved as members of examining committees. In the past 2 years, 40 Federal and State officials served as observers with visiting teams and virtually all of them expressed their satisfaction with the process.

The suggestions offered by these observers receive careful consideration and oftentimes improvements in the accrediting process result from this cooperative interchange. Each course of every school is reviewed by outside, independent, subject-matter specialists, and 270 such reviews were conducted in the past 2 years. In considering the 72 school ownerships involved, the commission has been extremely vigilant in policing its standards.

The ultimate weapon the commission has to enforce its standards is the removal of accreditation, and in the past 3 years accreditation was terminated for 15 institutions, or 19 percent of all accredited schools. Among the schools using accreditation was 1 with an enrollment exceeding 100,000 students.

Short of removal of accreditation, however, the commission has wisely used accrediting standards to enforce voluntary compliance and bring about literally hundreds of changes in school practices, all in the interest of improving schools and helping students.

What this says is really the accrediting process is looked upon as an upgrading process to improve the field and to make schools better.

Mr. Gaydos. Would you be willing to disclose the identity of the institution with 100,000 students which lost its accreditation?

Mr. Fowler. I would prefer not to. I would be glad to give you the name of the institution later and the facts concerning it.

In response to your question to Mr. Goddard concerning confidentiality, we have the same concern and have on one occasion had the opportunity to almost go to court over the matter through a lawsuit.

When we say confidentiality, one of the things I have already said we advocate is a joint State-Federal accrediting agency cooperative program and in this kind of relationship we feel that a free exchange of information is most important. Therefore what would not be available to a newspaper or to the general public in terms of what is in a commission file, we would certainly make available to a State agency that was working on a school problem or a Federal agency working on a school problem.

We recognize if you are going to have a cooperative activity you have to have free exchange of information, so confidentiality would not be strictly a concern of ours in terms of discussing with a State agency a school's problem or having the State agency discuss it with us.

Also, as Mr. Goddard has done, we like to invite you and any committee member or staff people to accompany any of our visiting teams, look at our process and become completely familiar with it in every way. As an observer with the team, you will have full access to all deliberations of the team and if you desire the opportunity to see the commission's decision following that——

Mr. GAYDOS. With one limitation. He can't make a decision, can he?

Mr. FOWLER. No, only the accrediting commission can make the decision, but the information is available to an observer.

Mr. GAYDOS. Of course, I am not the chairman of this committee but the chairman will give your offer very serious consideration.

We may go into the field. The chairman may possibly want to make some field trips and if I am available I will be glad to accompany him.

Mr. EHRLICH. Mr. Chairman, we want to emphasize the document I gave you while Mr. Fowler was testifying. In an effort to solve the problem we feel that the accrediting commission has been put in a very difficult position.

Because they saw what problems developed and what would be of concern to the industry, you will note that the regulations that the NHSC has adopted go very far above and beyond any regulations presently existing under that program.

Mr. FOWLER. There is a 1972 date on the document. They were revised in 1972. They were first adopted in 1969.

Mr. GAYDOS. I am surprised at your percentage of 19 percent removal of accreditation. That is very surprising. It means that you are concerned and responding.

I do want to thank you. I apologize for lack of time. All three of you are most interesting witnesses and I would like to have been able to give you a couple of hours to tesitfy.

Mr. FOWLER. Well, speaking for all of us we are available any time to come back and meet with you and your staff.

Mr. GAYDOS. It is possible the chairman will have you back again.

Mr. HARRISON. Mr. Chairman, I would like to pursue something.

Mr. GAYDOS. Certainly.

Mr. HARRISON. I might have missed this, but with the school with very large enrollment from which you removed accreditation, you felt because of your obligation of confidentiality and so on, you couldn't really discuss which school that was. When you accredit a school, is that made public?

Mr. FOWLER. Yes.

Mr. HARRISON. One of the benefits I assume which would accrue to the public from having a list of accredited schools made public is so that they know which are the good schools.

Mr. FOWLER. That is correct, and we announce also when accreditation is withdrawn from a school in a public announcement.

Mr. HARRISON. Oh, I misunderstood. I may be going in a wrong line of questioning then. I had the impression that you did not want to identify schools which have been disaccredited.

Mr. FOWLER. Though we do identify them, they may be disaccredited for various reasons and we do not divulge the reasons.

In some cases it is a matter of a pending review and the school resigns on the eve of the review, which is the case with a couple of schools.

Mr. HARRISON. Do you have fairly satisfactory tools at your disposal to prevent schools which have been disaccredited from claiming still to be accredited?

Mr. FOWLER. We do it in several ways. First of all, we make a public announcement. We distribute this as widely as we possibly can.

Second, the commission does require that the school remove from its advertising and promotional literature and all of its letterheads and that sort of thing the fact that it is accredited, within a reasonable time. The certificate of accreditation must be returned. The State agencies are all advised immediately when a school loses accreditation so we do believe we have a——

Mr. HARRISON. We could get the names of schools?

Mr. FOWLER. And I will be glad to provide that to you.

[Mr. Fowler subsequently submitted the following:]

ACCREDITING COMMISSION,
NATIONAL HOME STUDY COUNCIL,
Washington, D.C., July 26, 1974.

Mr. JAMES HARRISON,
Staff Director, U.S. House of Representatives, Special Subcommittee on Education, Washington, D.C.

DEAR MR. HARRISON: Just a note to thank you for the opportunity you permitted us to testify before the Subcommittee on July 25. I am confident that the interchange will be helpful to us, and I trust that our appearance was a helpful one for you.

As I indicated in my oral statement to the Subcommittee, I am enclosing the list of schools losing accreditation in the last few years. I am also enclosing a list of accreditation examination visits for this Fall. You or any member of the Subcommittee are cordially invited to serve as an Observer on the Examining Committees which will visit these schools. Please let us know which school you would like to visit so that the arrangements can be made.

I am also enclosing some literature describing our Accrediting Commission and home study education.

Sincerely yours,

WILLIAM A. FOWLER.

List of Schools Having Accreditation Terminated in Recent Years

School	*Date of termination*
California Electronics & Television Institute, 945 Venice Blvd., Los Angeles, Calif	Apr. 23, 1971
FAS International, 54 Wilton Rd., Westport, Conn. (100,000 students)	Dec. 7, 1971
Writers Digest School, 22 East 12th St., Cincinnati, Ohio	Dec. 7, 1971
New York School of Writing, 630 Ninth Ave., New York, N.Y	Aug. 28, 1972
Continental Schools, 1330 West Olympic Blvd., Los Angeles, Calif	Nov. 30, 1973
Institute of Continuing Education, 3009 W. Rosecranz Ave., Los Angeles, Calif	Nov. 30, 1973
International Business Academy, 4545 N. Lincoln Blvd., Suite 150 East Court, Oklahoma City, Okla	Nov. 30, 1973
Sales Training, Inc., 156 Denny Way, Seattle, Wash	Nov. 30, 1973
Technical Education Corp., 5701 Waterman Ave., St. Louis, Mo	Nov. 30, 1973
Sales Training of Detroit, 17555 James Couzens Highway, Detroit, Mich	Mar. 25, 1974
Sales Training of Milwaukee, 4840 West Fond du Lac, Milwaukee, Wis	May 22, 1974
Sales Training of Twin Cities, Inc., 5730 Duluth St., Golden Valley, Minn	May 22, 1974

Mr. GAYDOS. Mr. Chairman, I have kept this seat warm for you and I am now about to vacate it and I do want to make a comment on these three witnesses.

Their testimony was not only interesting and informative, but it was quite a pleasure to discuss the matters with them and I think you missed something, and I know you will look forward to reviewing their subject matter.

Mr. O'HARA [presiding]. I cerainly will.

Thank you, Mr. Gaydos.

Thank you very much for your testimony. I am sorry that I missed it. I will review your statements and review the transcript.

Thank you very much.

[Mr. Fowler's statement follows.]

Statement by William A. Fowler, Executive Secretary, Accrediting Commission of the National Home Study Council

My name is William A. Fowler. I am the Executive Secretary of the Accrediting Commission of the National Home Study Council and I also serve as the Executive Director of the National Home Study Council.

The National Home Study Council is locate dat 1601 Eighteenth Street, N.W., Washington, D.C. It is a non-profit educational association of some 158 accredited private home study schools. The Accrediting Commission of the Council is the accrediting body listed by the United States Office of Education as a nationally recognized accrediting agency in the private home study school field. The Accrediting Commission of the National Home Study Council is also recognized by the National Commission on Accrediting, which was established in 1949 for the purposes of coordinating accrediting activities in higher education and giving nongovernmental recognition to reliable accrediting agencies.

My purpose in appearing before you is to acquaint you with the work of our accrediting agency and to tell you about its philosophy, policies and procedures. It is a unique accrediting agency operating in a unique field—the field of home study.

The National Home Study Council has been a leading advocate of quality correspondence education in America for 48 years. The N.H.S.C. was founded in 1926 under the cooperative leadership of the Carnegie Corporation of New York and the National Better Business Bureau.

From its beginning, when a handful of quality schools banded together under the visionary leadership of Dr. John S. Noffsinger, private home study education has gained academic respectability and can point to a record of solid achievement in providing an invaluable social service to millions of Americans who, without the benefits of home study, would surely have been denied an opportunity for education or training.

Today, over 2 million Americans are enrolled in some 700 to 1,000 private home study schools. One hundred and fifty-eight of these schools (representing 72 ownerships) are accredited, and nearly 1.5 million students are enrolled with them. Accredited schools offer some 500 different academic and vocational courses. These accredited schools are located in 23 States, but they enroll students from every walk of life in every State of the U.S. and from many foreign countries. About one fifth of all N.H.S.C. accredited schools are nonprofit institutions. Correspondence instruction has a long and successful record in American education.

Although writing at an earlier time, John Morris has relevance to today when he stated that "probably more men in American history have gained the technical phases of their trade from correspondence schools than by any other means." An independent April 1974 survey of full time radio and TV servicemen, for example, revealed that 47% of them received their career training through correspondence study.

From its inception, the Council insisted on high educational standards and ethical business practices. It has cooperated with State and Federal agencies and educational associations. To give historical perspective to the present, I would like to mention just a few examples of the Council's activities over the past half century.

In 1936, Dr. Noffsinger wrote the original Trade Practice Rules for Home Study Schools which were adopted by the Federal Trade Commission. These rules were in effect until 1972 when they were replaced by the current Guides For Private Vocational and Home Study Schools. Over the years, the Council has worked with States in securing legislation to better regulate the operation of private schools and the Council has always been willing, if called upon, to assist Federal and State bodies in framing meaningful and effective legislation for home study school regulation and control. For example, the State of Indiana and other States have modeled their school regulatory statutes and procedures on the Commission's long-established standards and practices.

In the early 1950's, the need for accreditation in the private home study school field became evident. After careful study, the N.H.S.C. established an independent, non-profit, nine-member Accrediting Commission. In 1959, after establishing a successful record, the U.S. Commissioner of Education approved the N.H.S.C. Accrediting Commission as a nationally recognized accrediting agency. Today, the same Commissioner of Education, Lawrence G. Derthick, Sr., sits on the Commission, and is joined by other outstanding men such as Herold C. Hunt, former Under Secretary of Health, Education, and Welfare, who has served as Chairman of the Commission since 1966.

The Accrediting Commission of the National Home Study Council is national in the scope of its operations and provides institutional accreditation for private home study schools. It is unique in that eligibility for accreditation is based on method of instruction rather than on subjects taught or level of instruction offered. Most of the accredited schools are post-secondary and career oriented, but some schools offer elementary, secondary, collegiate and post-collegiate courses..

The Commission is completely independent, and application for accreditation is made voluntarily. Commission decisions cannot be vetoed or modified by any other individual or group.

Nine men and women serve on the Commission. Five Commissioners represent the public and four are executive officers of accredited schools. The Commission is, to our knowledge, the only recognized accrediting agency in the country with a majority of public Commissioners. To provide additional assurance of independence for the Commission, the N.H.S.C. Bylaws provide that no school may be represented on the Commission and the Council's Board of Trustees at the same time.

The Commission has established a set of educational and ethical standards which all schools *must meet* in order to become accredited. In addition to educational standards, these standards require accredited schools to: enroll only students who can be expected to benefit from the instruction; show satisfactory student progres and success; be honest in its advertising and promotional materials; carefully select, train, and supervise its field representatives; show ample financial resources to carry out long-term obligations to students; use reasonable tuition collection methods and have a satisfactory refund policy; and demonstrate a satisfactory period of ethical operation.

All schools must undergo initial and periodic evaluations, with every school being re-accredited at least every five years. Schools furnish the Commission comprehensive reports each year, and the Commission can remove accreditation from a school for failure to meet the published standards.

Special reviews of schools are conducted when the ownership of the school changes hands or when serious problems are in evidence at a school. Complaints against schools are carefully analyzed on a continuing basis to ascertain problems, and examination reviews are promptly ordered if necessary.

The Commission has always been intensely aware of its role and responsibilities in the area of protecting the education consumer, and the Commission's responses to the needs of consumers pre-dates the "consumer movement" in this country. The Accrediting Commission was one of the first agencies to adopt a policy for the settlement of tuition accounts. This policy is one of the most liberal (to the student) of its kind. It is a performance-based policy that allows students to receive nearly half of their tuition back if they discontinue at the mid-point of their studies. This policy was recognized by Congress and included in the 1972 amendments to the G.I. Bill.

Since 1969, accredited home study schools have been eligible to participate in the Guaranteed Student Loan Program administered by the Federal Government since Congress in its wisdom recognized that American citizens ought not to be denied the opportunity of enrolling in the educational institution of their choice because of lack of funds. The Commission, aware of the possibility of abuse in this program, adopted special standards and rules for home study schools with students participating in the GSLP. These special standards go far beyond the regulations and controls set up by Congress and the Office of Education and have been the chief reason why, as a March 1974 U.S.O.E. paper analyzing home study school involvement in the program stated: "Overall default claims for (home study schools) were relatively small."

With respect to eligibility of schools for the loan program, we believe:

1. Each qualified student should have the opportunity to enroll in the school of his choice. A student who chooses to enroll in a program offered by a quality private vocational school should not be denied the chance to prepare for a better life because such schools are ignored or excluded from eligibility by legislation.
2. Accreditation has proved to be a practical and workable method of identifying quality schools, and attempts to discredit it do not look beyond to an alternate system that would be more effective.
3. Accreditation should be the *basic* requirement for eligibility with additional specialized requirements being added if necessary for specialized programs.
4. An Accrediting Commission should not and cannot enforce government program regulations, rules or procedures without the implementing authority and additional resources.

The fundamental concept underlying our accrediting program is this: does a school meet the prescribed standards established by its peers as evaluated in light of the school's stated objectives?

Some of the Commission's accrediting practices may be of interest and may serve to reveal the Commission's total commitment to the cause of protection for the education consumer in a vast, complex and often misunderstood field:

1. Before a school is accredited approximately 400 regulatory and consumer agencies are surveyed as to the school's reputation and business practices. The Veterans Administration, the Postal Service, the Federal Trade Commission, the U.S.O.E., state departments of education, Better Business Bureaus and consumer protection agencies are included in these surveys.
2. Input from government at all levels and other sources is continually sought in order to improve and upgrade the standards, the field, and the Commission.
3. The Commission has a formal complaint procedure and a student dissatisfied with his experience with a school may use our office to resolve his complaint. Recently, we have heard many sweeping generalizations about the defrauding of consumers by vocational schools, and the facts we have been able to gather on this area are enlightening:

Last year, the N.H.S.C. received only 300 complaints from students enrolled in both accredited and unaccredited schools. This figure represents complaints from only one student out of every 7,000 who enroll in home study schools. An analysis of complaints received shows that well over half involved dissatisfaction with the mail service and posting of accounts while less than one tenth involved allegations of fraud or misrepresentation and even fewer related to educational programs and service. Of the more than 300,000 veterans and servicemen enrolled with home study schools, the N.H.S.C. received complaints from only one out of every 10,000 veterans enrolled. Every effort is made to find an equitable solution to a complaint, and virtually all student complaints are resolved to the student's satisfaction: It is also our experience that students do not and have not complained about the failure "to get a job" after completing their training, yet the concern by some regulators for completion and placement "data" is all to evident. In home study, completion of a course not an absolute in order for a student to derive genuine satisfaction or achieve his personal career objectives. Home study is an independent method of study well suited for individuals with personal goals, and statistics on completion can never tell the whole story.

It was widely reported by certain Federal agency officials that vocational schools are the number one complaint problem with the Council of Better Business Bureaus, and when we attempted to document the charge we did not find any support for it. Such sweeping generalizations damage the reputation of our schools and do a great injustice to them.

Now I would like to turn to the day-by-day work of our Commission. In carrying out the accrediting program, the Commission makes use of qualified peer evaluators who visit schools and file detailed reports. Last year 35 accrediting visits were made to schools and more than 125 N.H.S.C. school staff members were involved as members of examining committees. In the past two years, 40 Federal and State officials served as Observers with visiting teams and virtually all of them expressed their satisfaction with the process. The suggestions offered by these Observers receive careful consideration and oftentimes improvements in the accrediting process result from this cooperative interchange. Each course of every school is reviewed by outside, independent subject-matter specialists, and 270 such reviews were conducted in the past 2 years. In considering the 72 school ownerships involved, the Commission has been extremely vigilant in "policing" its standards.

The ultimate "weapon" the Commission has to enforce its standards is the removal of accreditation, and in the past three years accreditation was terminated for 15 institutions, or 19 percent of all accredited schools. Among the schools losing accreditation was one with an enrollment exceeding 100,000 students. Short of removal of accreditation, however, the Commission has wisely used accrediting standards to enforce voluntary compliance and bring about literally hundreds of changes in school practices, all in the interest of improving schools and helping students.

Accreditation is not easily achieved. Our statistics show that in recent years about one third of the schools applying for accreditation have received it and less than one tenth of all eligible home study schools are presently accredited.

Due process procedures have had an effect on the work of the Commission in recent years, and while the Commission makes every effort to protect consumers from sub-standard practices and institutions, due process rules legally agreed upon by the U.S.O.E. have resulted in a system which sometimes allows a school a period of six months or more of accreditation while the "removal" machinery grinds away. Some of the concerns facing all accrediting agencies today involve expensive and time-consuming legal actions due to adverse decisions, charges of anti-trust violations and restrain of trade allegations levelled against accrediting agencies by schools, class action suits by school employees and students, and a host of other potential legal nightmares in which accrediting agencies have become enmeshed. The atmosphere of legalistic battle seems to face us at every turn.

Lost somewhere in the due procss jungle is the original concept of accreditation: voluntary adherence to high standards as determined by one's peers with a clear mandate for continuing improvement.

During this time the N.H.S.C. and its Accrediting Commission, sometimes acting alone, have attempted to improve services to schools, the public and students. Some of our more recent actions have been:

1. Adoption of new policies, procedures and standards in the area of financial stability, the control of field sales staff, participation in the Federal loan program, and combination home study and resident programs.
2. Adoption of policies that allow all persons and organizations to have meaningful input into accrediting standards.
3. The N.H.S.C. submitted a proposal to the Fund for the Improvement of Postsecondary Education to develop a nationally available home study course in effective methods of correspondence education so that all schools could be improved. No college or university in the country offers such a program. The need is critical. Unfortunately, this proposal was not funded for reasons which have not been revealed to us. Unfortunately, this has made it seem that sometimes government apparently feels more comfortable as a critic rather than as a patron of our educational method.

The accrediting system we have developed continues to serve the students, the public and schools well. As Dr. Frank Dickey of the National Commission on Accrediting has stated, "Accreditation is accountability for stewardship of a public trust and is another manifestation of the fundamental precept of democracy: liberty under law or freedom circumscribed by self-imposed restraints."

We believe that our system of accreditation has worked well over the years, sometimes in cooperation with government, and at other times without government help. We also believe that voluntary compliance and self-regulation have worked to the advantage of the public far better than arbitary, legalistic, unwieldy, and restrictive legislation imposed by regulators who do not seem to care about the harm done to future generations of students who may be denied a chance for educational advancement. Peer evaluation has worked far better than bureaucratic paper shuffling. Accrediting agencies such as ours have been doing their job largely without the help, support or encouragement of government, and yet the need for greater cooperation and support is needed if present problems are to be resolved. We ask our critics today—what trees have you planted? How many thousands of men and women who have been "written off" by traditional education are being trained in private schools today? Are the generalized charges against our schools so frequently voiced today based on fact—or on personal biases?

In closing, I would like to quote Dr. Noffsinger's landmark study of correspondence schools written nearly 50 years ago:

"No matter how alluring the advertising and how resourceful the salesmanship, the correspondence schools could not get 1,500,000 new students every year unless some demand for such instruction existed. The correspondence school may meet the need badly, but it meets it and no other agency does. The fact is that vast numbers of the American people are unprepared to earn their livelihood. They find themselves with the responsibilities of maturity and at the same time lacking the necessary training to better themselves materially. They cannot go back to school; they must seek training elsewhere.

"The public educational system does not provide it except in certain larger centers; they must look elsewhere. The correspondence school goes out to them. If some of the time or most of the time it exploits, it at least is the only opportunity offered them. If the private correspondence school is inadequate, the responsibility devolves on the nation to provide a more adequate agency or to take steps to ensure the improvement of the private correspondence school."

Our schools have trained millions of Americans for more fruitful lives, and we have worked for many years to improve these schools. We welcome your suggestions for improvement and we look to you for advice and support. Working together, we can look forward to another 50 years of excellence in education by correspondence study.

Mr. O'HARA. Our next witnesses will be appearing together and they are Mr. Harold Orlans of the National Academy of Public Administraiton Foundation and Mr. George Arnstein, executive director of the National Advisory Council on Education Professions Development, and Jean Levin, who has also participated in the Orlans study.

We would like very much to hear from you.

STATEMENTS OF HAROLD ORLANS, SENIOR RESEARCH ASSOCIATE, NATIONAL ACADEMY OF PUBLIC ADMINISTRATION FOUNDATION, ACCOMPANIED BY JEAN LEVIN, AND GEORGE E. ARNSTEIN, EXECUTIVE DIRECTOR, NATIONAL ADVISORY COUNCIL ON EDUCATION PROFESSIONS DEVELOPMENT

Mr. ORLANS. Thank you, Mr. Chairman.

I will cover my statement fairly briefly.

[Prepared statement follows:]

STATEMENT BY HAROLD ORLANS, SENIOR RESEARCH ASSOCIATE, NATIONAL ACADEMY OF PUBLIC ADMINISTRATION FOUNDATION

The opinions expressed are solely those of the author. They are based upon a study of Private Accreditation and Public Eligibility conducted by him, N. Jean Levin, Elizabeth K. Bauer, and George E. Arnstein under an Office of Education contract with the Brookings Institution and the National Academy of Public Administration Foundation, Washington, D.C.

This statement will review the degree of reliance upon accreditation as a condition of eligibility in four major programs of aid to postsecondary students, evident advantages and disadvantages of this reliance, and desirable changes in the present eligibility system for insured student loans.

A. VETERANS BENEFITS

Educational benefits to veterans are contingent upon the approval of their proposed course of study by an agency designated by the government of each state. The unit of approval is a course, not a program or institution. Courses may be approved at accredited or unaccredited institutions, as well as at police academies, fire departments, museums, insurance companies, factories, hospitals, and other organizations and enterprises which are not primarily educational. However, it is one thing to visit a museum and approve its art course, and quite another to visit all the campuses of the University of California or the State University of New York and separately approve their thousands of courses. As a practical matter, most courses taken by veterans at colleges and universities have been approved without inspection. VA regulations distinguish "college level" courses offered for credit from vocational or "clock hour" courses, for which separate approval and more onerous recordkeeping is required (even when such courses are given at a university or junior college). The approval agencies have concentrated their inspections and selective approvals upon courses offered by proprietary schools.

Accredited proprietary schools can employ the tuition refund policy of their accrediting agency; unaccredited schools must employ the stricter pro-rata refund policy specified in the VA statute. About half the states extend approval to accredited proprietary schools without special inspection; the remainder approve them only after inspection on the same basis as unaccredited schools. There are more unaccredited than accredited schools with approved courses but, as accredited schools are larger, they enroll proportionately more veterans.

B. INSURED STUDENT LOANS

Students seeking loans under the federally guaranteed loan program must qualify for attendance at an eligible postsecondary institution. To become eligible, degree-granting institutions must establish that they are accredited, or preaccredited, by a recognized accrediting agency or, if unaccredited, that their course credits have been accepted by three accredited institutions. Nondegree granting vocational schools have had fewer, or no, alternatives to accreditation. Some 500 public area vocational schools listed by state agencies as eligible under the 1963 Vocational Education Act and 750 proprietary schools in selected states whose licensing procedures were approved by an advisory committee were granted temporary eligibility until an accrediting agency in their region or field was recognized by the Commissioner; thereafter, they were given five years to gain accreditation or lose eligibility. The 1972 Education Amendments extended eligibility to public vocational schools approved by state agencies recognized by the Commissioner, but no such alternative is available for proprietary schools. Thus, only 2,000 proprietary schools participate in the insured loan program, compared to perhaps 5,000 approved for veterans.

The Commissioner has authority to render individual schools eligible directly but, fearful of the political pressures and technical difficulties, he has not done so.

C. SOCIAL SECURITY STUDENT BENEFICIARIES

Student beneficiaries aged 18–22 who, since 1965, have received aid from the Social Security Trust Fund, must be enrolled full-time at an "approved" educational institution. The rules for approval are extremely liberal and include: 1. all schools accredited by recognized accrediting agencies, including all programs of a school which has only one program accredited by a specialized agency; 2. schools whose credits are accepted on transfer by three accredited institutions; 3. all public institutions operated or supported by a federal, state, or local government agency; 4. all schools licensed by state agencies, approved for veterans, used by state vocational rehabilitation agencies, or receiving state or local tax exemption, loans, scholarships, or other financial aid. Unlike the Veterans Administration and the Office of Education, the Social Security Administration devotes little staff effort to establishing and maintaining its list of eligible schools, relying largely upon the lists prepared by other federal, state, and private agencies.

D. MANPOWER TRAINING PROGRAMS

The eligibility rules of the several federal manpower training programs administered by state and local agencies vary in different states and little comprehensive information is available on the number and kinds of participating schools. Accreditation is not required. In some states, all public and licensed private institutions are eligible; in states which require no license, all private schools wth courses approved for veterans may be eligible. Contracts for vocational rehabilitation may be let with any private school deemed suitable for a particular trainee even if it is not accredited or approved for veterans.

In summary: accreditation is one means by which a post-secondary school can become eligible for student aid programs but it is not usually the only means. The most important exception is in the case of insured student loans, for which only accredited proprietary schools are eligible.

There is an inverse relation between the extent of reliance on accreditation and th size of the staff needed to make independent determinations of eligibility. The Office of Education, which relies heavily on accreditation, maintains a relatively small staff to determine eligibility; the Veterans Administration, which relies less on accreditation, subsidizes approving agency staff in every state and also makes payments directly to schools for their record keeping on veteran enrollees. There is also a direct relationship between the size of agency staff and the extent of efforts to counsel and protect students. The state agencies which deal with vocational trainees and veterans have many weaknesses and failings, but they make a visible effort to serve individual students. The Office of Education is notably weaker at helping students and the Social Security Administration does not seem to regard this as its function.

Most eligibility systems rely either formally or informally on both state and private accrediting standards, since both are omnipresent. Legally, the regulation of educational institutions is a state responsibility, while private accreditation represents an effort to promote comparable national standards without which our diverse state and local systems of education and professional practice would be reduced to chaos.

A system of eligibility for large numbers of students and postsecondary schools should be equitable, offering students and schools in every state and field an equal opportunity to qualify; it should ensure that funds are spent for the purposes for which they are appropriated; and it should give students an honest and, if possible, useful education. These objectives seem simple enough but they are not easy to achieve. State regulation and private accreditation together have not prevented misrepresentation in the catalogs, advertising, and recruiting of academic and vocational, nonprofit and for-profit institutions. Regulations cannot ensure the financial viability of any school, and numbers of private colleges and proprietary schools have gone bankrupt. Administrators of public and private, accredited and unaccredited schools have been guilty of fraud, and too many students at schools and colleges have received no, or little, refunds upon dropping out of classes. Correspondence schools, trade schools, junior colleges, and liberal arts colleges have joined in *de facto* collusion with students to give and receive merchandize, recreation, or a period of leisure courtesy of the taxpayer. Many students have been prepared for nonexistent jobs with or without the foreknowledge of college presidents and professors, school proprietors and instructors.

No system which must determine the eligibility of thousands of institutions can be perfect. No set of regulations can ensure the financial probity, educational quality, and social usefulness of every program offered by more than 10,000 postsecondary schools, hospitals, and other institutions offering academic, professional, or vocational preparation to over 3 million beneficiaries of federal programs. The goals of any eligibility system must be realistic—which is to say, modest—if they are to be achieved.

Three basic approaches to a largescale system of institutional eligibility have been employed in varying combinations: determinations by federal, state, and accrediting agencies.

Federal officials have made few direct determinations of institutional eligibility that involve judgments of educational quality. To make, and periodically renew, such judgments about many thousands of schools would be technically difficult, expensive, and politically all but impossible. Federal officials can readily enforce objective requirements such as statements of compliance with civil rights or state licensing law, and additional requirements might usefully be added—e.g., bonding, a *pro-rata* refund policy, observance of FTC guidelines, and, perhaps, the disclosure of completion and job placement rates.

State officials determine the conditions under which an institution is permitted to operate: whether it need meet only the requirements of a private business or nonprofit organization or those of a special school licensing law. However, judgments of institutional quality are as difficult for state as for federal officials. To be equitable, administrable, and legally enforceable, licensing regulations must be clear, specific, and nondiscriminatory: they must be based upon objective, not subjective, grounds. Thus, they can require that a school post bond, observe fire and sanitary regulations, and employ only licensed teachers. They cannot require that it offer good and useful education. State officials dare not even express their opinion that one school is better than another, without risking suit for damages.

The great advantage of accreditation is that, since it represents an action of private citizens undertaken at the voluntary request of an institution, it puts on public record a judgment of educational quality that no governmental body dares make. Hence it divides the universe of postsecondary institutions into two parts: the accredited, which is formally found to meet minimal educational standards: and the unaccredited, which may or may not meet them. Thus, about 75 percent of higher educational institutions (or some 2,000 out of 2,700) and under 20 percent of proprietary schools (or 1600–1700 out of 10,000) are accredited. Hence accreditation is a great practical convenience to any program seeking an inexpensive defensible way to reduce the number of eligible institutions and/or to confine eligibility to schools which meet at least some minimal standards above the level required by state law. The use of accreditation strengthens the influence of private educational forces and maintains a private counterweight to what would otherwise be an exclusively governmental system of eligibility determination. And the use of accreditation is expedient, gaining the good will and support of powerful educational, professional, and business interests.

Unfortunately, it also brings in its train a number of disadvantages. Institutional accreditation is a fallible and intermittent judgment, sometimes made at intervals of ten years or longer. Some accredited institutions are of poor quality and probity; they can be on confidential probation; many offer programs that are unaccredited by professional accrediting agencies. Contrariwise, a number of good and useful schools remain unaccredited by choice or necessity, because there is no suitable agency in their field or they do not wish to meet certain standards that can be irrelevant to the purposes of a public program (as, for example, a technical institute or business school may not wish to offer liberal arts courses necessary for regional accreditation). The maintenance by the Commissioner of Education of a list of recognized accrediting agencies has required continued government scrutiny of agency operations. On the one hand, this has given the government an uncomfortable power over these private agencies; on the other, it has led OE to put excessive and unrealistic reliance upon the agencies to enforce governmental policies, to police member schools, and even to withdraw eligibility via the withdrawal of accreditation, rather than through direct government action. OE has become so dependent on accrediting agencies that it has never withdrawn recognition from any, because it has no adequate alternative for retaining the eligibility of worthy schools, especially in the proprietary field. The financial importance of eligibility has influenced accreditation judgments, impaired the voluntary nature of accrediting, and given certain agencies a monopolistic control over public benefits.

On balance, I believe that it is in the interest both of the public and of accrediting agencies to reduce the formal reliance now placed on accreditation in eligibility determinations. As a first step, the exclusive reliance on accreditation as the only means by which proprietary schools can qualify for insured student loans should be ended. Useful unaccredited schools should be able to qualify, perhaps by the determination of a new private body, and the Office of Education should act independently to disqualify any school which violates the objectives of the loan program. OE should issue and, with the assistance of state authorities, enforce any independent regulations that are needed to accomplish this. If misleading advertising serves to exploit students, it should be made grounds for suspending a school's eligibility; if pro-rata tuition refunds and the posting of bond protect a student's rights and the public's funds, they should become conditions of eligibility.

It is foolhardy for a government agency to rely solely on accreditation to render a school eligible or to withdraw its eligibility. No matter how admirable and effective an accrediting agency may be, its purposes differ from those of the government. Relying upon accrediting agencies to enforce public policies is an abdication of the government's direct responsibility to protect the public interest.

ADDENDUM 1

ACCREDITATION AND ELIGIBILITY: A FURTHER DISCUSSION

The use of accreditation as a condition of participation in federal postsecondary programs is less widespread and exclusive than cursory examination (or excessive concentration on the insured student loan program) may suggest.

In some important programs, accreditation is completely disregarded. This is true of most research and development programs, under which over $2.5 billion were obligated in 1971 by federal agencies to some 577 universities, colleges, and affiliated research centers. It is true of programs aiding American students to attend foreign institutions. Thus, the federally insured student loan program, which relies heavily on accreditation domestically, necessarily disregards it for students attending hundreds of foreign institutions whose eligibility is determined by OE staff. Accreditation is also disregarded in various Department of Labor manpower training programs for which many nonaccredited vocational and proprietary schools have qualified.

In a second set of programs affecting large numbers of students, accreditation provides only one avenue of eligibility, the other avenues often being the determination of state officials, and occasionally of federal agency staff. Examples are the educational aid to veterans and to social security beneficiaries which, with insured student loans, now constitute the three largest programs of federal aid to postsecondary students. A similar system operated from September 1940 through the end of the 1970–71 academic year to determine the eligibility of college students for temporary deferment from the draft.

Finally, there are the programs which place primary reliance on accreditation or closely related alternatives. According to an analysis prepared by Richard Fulton, these are mainly "institutionally-based or oriented programs" administered by the Office of Education, originating in the 1958 National Defense Education Act, and hinging eligibility upon accreditation or three letters certifying the acceptance of credit by an accredited institution of higher education. Students attending proprietary schools were included in these programs under the terms of subsequent legislation. But, as Fulton notes, the alternative routes of eligibility for higher educational institutions, such as the three-letter rule and "reasonable assurance" of accreditation, were not extended to proprietary schools whos eligibility thus hinged exclusively on accreditation. This dependence was accentuated by OE policy requiring schools which, in the absence of a cognizant accrediting agency, had been rendered temporarily eligible by certain specially approved state bodies, to become accredited or lose their eligibility as cognizant agencies were recognized by the Commissioner of Education.

Programs under which postsecondary institutions, staff, or students have received funds, privileges, or other benefits from federal agencies have been so numerous, varied, and changeable that it is fruitless to examine them all. Nonetheless, the following generalizations may be offered about the major programs—major in dollar magnitude and the number of students and institutions involved.

All federal programs have a number of institutional eligibility provisions enjoined by statute or regulation, of which accreditation is at most one. Other common provisions include legal authorization to operate; public or nonprofit status; the offering of specified kinds of instruction (e.g., "postsecondary," "collegiate," or "graduate"); compliance with the 1964 Civil Rights Act; and various cost, record-keeping, and reporting requirements.

Eligibility affords an opportunity, but not necessarily an assurance of institutional benefit. Insofar as the likelihood of benefit is slight, so is the significance of eligibility. Thus, most legally authorized organizations—public, nonprofit, or for-profit; postsecondary or secondary; educational, manufacturing, or governmental—are eligible to receive research funds from most federal agencies, but, in fact, comparatively few receive large sums. Since eligibility is so accessible, it is worth little and the conditions of attaining it have (deservedly) received little attention: eligibility has simply been tuned out as a policy issue or a factor of concern to the consumers or dispensers of research funds. Of course, other factors affecting research allocations (such as the purposes and levels of agency appropriations, the composition of advisory panels, the value of different kinds of research and research institutions, the effects of research on education and the economy, the degree of geographic and institutional concentration, etc.) have been the subject of enduring controversy.

The programs in which institutional eligibility has been defused as an issue appear to have another common characteristic: decisions are fragmented and dispersed (among many state officials or national program staff) and the grounds of decision are thereby obscured, *ad hoc*, particularized, and changeable. They involve scattered judgments about individual situations rather than, as in accrediting, more centralized, durable, and public judgments about general standards and conditions. Dispersed, diverse, *ad hoc* decisions do not produce as reliable and comparable information about educational institutions as centralized decisions based upon publicly enunciated standards. Nor are they meant to. State officials are supposed to approve courses for individual veterans, and research officials, projects for individual investigators, not to vouch for the quality and probity of institutions as a whole. Claiming less, such a system also damns less (or hides more), and is, thus, less vulnerable to criticism based upon readily available public knowledge. It is even difficult to obtain complete and reliable lists of institutions benefiting from these programs (except for research programs, where, after this information had been held in confidence for many years, such lists were published as a result of congresional action). Available lists have been prepared primarily for the use of agency staff, are often dated, fragmented, and visibly not for public show: their very format bespeaks their tentativeness and changeability, and officials are ready to admit possible error by their often lowly, overworked staff. In contrast, the designation "accredited" and the lists of schools so marked are one of the most widely utilized public services of accrediting agencies. Whatever else they may reveal or conceal about accredited schools or programs, accrediting agencies are not reticent about their names, which are incorporated in many cheap and expensive, popular and scholarly reference works. Complete and accurate lists are regularly distributed in large quantities, and the current status of any school can be determined unequivocally by a phone call to a single responsible agency.

Unfortunately, unequivocality has its political drawbacks. When a single eligibility provision almost automatically yields great benefits, it is likely to receive attention commensurate to the benefits which are thereby bestowed or denied. Something of the sort has happened to the accreditation provision governing the eligibility of postsecondary institutions to participate in many Office of Education programs.

Eligibility for OE programs is not important to all institutions. Many which are eligible have received no funds; others which, upon becoming accredited, are advised by OE of their likely eligibility, have not even bothered to submit the forms necessary to obtain it. For example, public vocational schools with no, or very low, tuition and a local student body which lives at home may have little need to participate in the insured loan program. Despite high tuition, certain proprietary schools (e.g., in a field like welding) with a limited capacity, good reputation, and high demand for their graduates have had no interest in eligibility. Some private schools with "old-fashioned" owners have disdained either accreditation or eligibility, in order to maintain their independence and avoid the snares of a private or governmental bureaucracy (including the requirement of nondiscrimination).

But for many schools, eligibility for certain programs, and especially for insured student loans, can make the difference between success and failure or, at least, between economic viability and duress. And that difference can be determined by initial or renewed accreditation by an agency recognized by the Commissioner of Education.

The criticism of the use of accreditation for eligibility purposes in the 1971 Newman draft report was directed almost exclusively at the accrediting of higher educational institutions and programs. This accrediting was said to be a poor show: self-interested, without due process, and educationally conservative. To judge from the response thet report elicited, it was seen as an attack particularly on thet regional associations. Certainly, the report attacked the goals and standards of traditional higher education at one of its weaker points, for accrediting agencies are not beloved; they have no alumni or Congressmen; their technical weaknesses must be confessed by their staunchest supporters; they are fractionated and divided; and, in sum, are far easier targets than the great private or public universities, sectarian institutions, community colleges, or institutions catering to blacks, city residents, or other clearly identifiable and voting constituencies.

Thus, if the purpose of the Newman draft was to shake the composure of the most prestigious accrediting agencies and those most immured from public scrutiny, it was undoubtedly successful. But if its purpose was to improve the system of determining institutional eligibility for federal funds, the report utterly failed to address the major technical and policy issues which the Office of Education has encountered in recent years as proprietary schools have become eligible to participate in its programs.

To single out proprietary schools for special attention is to invite trouble, yet not to do so is to avoid a manifest and central aspect of the eligibility problem. Proprietary school representatives are rightly sensitive to any invidious comparison with public or nonprofit schools and to certain kinds of discriminatory treatment in government educational policy (not all kinds, because the legal, tax, and philosophical distinctions between for-profit, nonprofit, and public institutions can require corresponding policy distinctions; to date, for-profit schools have sought inclusion only in government programs aiding students, not institutions). Yet proprietary schools constitute the most numerous, most volatile, and least known group of schools whose eligibility must now be determined in student aid programs. They are also that portion of the postsecondary universe which is least well covered by accrediting agencies, directories, statistical series, or research monographs, and least well represented by comprehensive national associations. An eligibility system that fails to deal adequately with proprietary schools will be an inadequate system; yet, on that test, neither the system of veterans state approving agencies nor that of recognized accrediting agencies can be judged fully adequate.

The veterans system embraces more schools in more states and may provide better protection for the federal dollar, in matters (such as pro-rata refunds and scheduled hours of instruction) which can be prescribed in regulations and enforced by monthly attendance reports (if they are honest) and on-site inspections two or three times a year (if the inspectors are perceptive and school officials not deceptive). Close to the scene, state officials can be better informed about the frequent changes in the management and programs of proprietary schools than accrediting agency staff in Washington, and can give at least some personal counsel and protection to individual students. But fifty state agencies mean fifty different educational standards; and, in a good many states, standards are low and the staff are appointed because of their political rather than professional qualifications. A number of states still have no licensing requirements for any, or for certain categories of, schools. Government officials (state or federal) can define, defend, and enforce objective standards (such as those governing fire safety, toilet facilities, lighting, square feet of floor space per student, hours of instruction in given courses, minimum bonding requirements, or the qualifications of instructors) more readily than subjective standards of educational quality.

The private status of accrediting commission members enables them to make precisely these important but subjective judgments of educational quality which the very same individuals would have difficulty pronouncing as government officials. Officials are supposed to operate by even-handed rules, whereas private citizens are entitled to their own opinions. The minimum educational standards of agencies accrediting proprietary schools are, it is generally agreed, higher than those usually resulting from the enforcement of state licensing regulations; and they are national standards. In addition, the nonprofit organizations under which these accrediting agencies operate serve as sources of information about, national spokesmen for, and, of course, proponents of improved educational and business practices for proprietary schools. However, these agencies are plainly held in less respect by many state officials, the heads of non-accredited schools, and such arbiters of status as we may have in American education than the regional associations or the more august, if stodgy, agencies accrediting professional programs. As representatives of avowed busines enterprises, they are regarded by many observers as trade associations and they must (like the American Medical Association) live with the constant danger that a court will find them guilty of restraining trade and promoting monopoly, a danger enhanced by the Office of Education's policy of favoring only one agency in each field of accrediting. As the Marjorie Webster case demonstrated, the danger exists for agencies accrediting nonprofit as well as for-profit institutions, for whom it appears to be more acute.

Accreditation plainly does not suffice to ensure that the public dollar spent at any school—public, nonprofit, or for-profit—will be well spent. Proprietary schools have been involved in flagrant offenses in deceiving students and failing to give them the education which they have been led to expect. Proprietary schools are named in the vast majority of student complaints which have come to the attention of the staff of veterans approving agencies, consumer protection agencies, and the Office of Education. Students at accredited proprietary schools have also been responsible for a disproportionate share of the defaults in the insured loan program.

None of this implies that accredited universities and colleges are guiltless of wrongdoing and deception or deliver a dollar in educational value for every dollar they receive. Quite the contrary. Deceitful advertising, aggressive and misleading recruiting, the watering of educational standards, financial instability, and even open fraud seem to be spreading in many colleges and universities. Accreditation is no more of a guarantee against malpractice in nonprofit than in for-profit education. Why, then, do for-profit schools receive more than their proportionate share of student complaints and pose more than their share of eligibility problems to government officials?

The special problems of proprietary schools are the obverse side of their special virtues. Proprietary schools offer practical, no-frill preparation in definable skills for identifiable occupations. Their implicit educational contract is: "For N dollars, X hours of honest instruction to an honest student will produce a secretary, mechanic, pilot, truck driver, computer programmer, barber, or laboratory technician qualified to earn Y dollars." That is a contract which can be tested against reality; and it is not surprising if, in many cases, it is found wanting. (It may be the fault of distant corporate officers, local proprietors, recruiters, students, the economy, *Occupational Outlook Handbook forecasts*, the American instant-success syndrome, or all together in some measure.) Liberal higher education has no such clear contract with its students and, therefore, none which can be clearly breached. Is college a place of preparation for work or life, for study or relaxation, a place to consume midnight oil or beer, to acquire skills or maturity or friends, to learn practical or fine arts, English or gobbledygook? The diverse, unformed, and conflicting purposes of colleges and their students can be protection against consumer complaints (though not against other forms of protest, injustice, dishonesty, waste, and educational failure).

Viewed solely as a practical way of distinguishing better from poorer schools, or, to be more exact, schools whose minimum standards have, or have not, been certified by a qualified body, accreditation is a piece of information that has proved useful in many government programs. It does not, however, serve to distinguish all minimal-standard schools from those which lack these standards, in either the degree-granting or the proprietary, non-degree-granting sector of postsecondary education.

Of the 2,686 degree-granting institutions of higher education listed in the 1972–73 *Higher Education Directory*, 76 percent were fully accredited by regional commissions and another 14 percent were correspondents or recognized candidates for full accreditation; only 10 percent were neither accredited nor negotiating for accreditation. Thus, regional accreditation has virtually lost its power of discriminating among higher educational institutions, especially those wth a large enrollment. It would be redundant as an eligibility requirement in any program restricted to the 787 degree-granting institutions enrolling 2500 or more students, only 5 of which were not fully accredited or candidates for accreditation.

The contrary situation prevails among proprietary schools. Here, accreditation takes in too small a proportion of the total universe—in mid-1973, perhaps 1700, or from 28 to 17 percent or less of the universe of 6–10,000 or more schools (it is a pulsating universe, which expands and contracts perennially, according to the definitions employed, public policies, and economic circumstances). In certain states, the number of accredited schools has been too small to meet public needs. Nationally, goodly numbers of reputable proprietary schools (not to mention public and nonprofit vocational schools offering similar training) remain unaccredited. They are therefore ineligible for OE student aid programs, though many have participated satisfactorily in vocational rehabilitation and manpower training programs administered by individual contracts—i.e., state vocational and employment office staff have monitored their training and job placement performance and found them satisfactory.

The government may, with due process, reasonably oblige all citizens, or certain categories of citizens (picked fairly, and on a nondiscriminatory basis) to register for the draft, to pay taxes, and to obey ten thousand laws. Is it right for the government to compel private citizens to apply to (and often, to join) a private agency in order to receive a public benefit? That is close to being present Office of Education policy. Some Office staff have gone so far as to urge the director of a private school to apply for accreditation in order to qualify for insured student loans. Such a practice is questionable, if not improper, but it is a natural consequence of Office policies that offer proprietary schools no alternative to accreditation if they are to become eligible for OE programs. Higher educational institutions have had at least the alternatives of "reasonable assurance" of accreditation and of the three-letter certification of credit, which have been inapplicable to most proprietary schools. Equity would call for the provision of comparable alternatives to unaccredited proprietary schools. Fuller equity (as well as the maintenance or restoration, of an accreditation system that is truly voluntary) would call for the provision to any postsecondary institution of one or more genuine alternatives to accreditation by a single recognized agency.

Can such equity be achieved economically, without destroying what is of value in private accreditation, or establishing a horrendous new bureaucracy? Only if these questions can be answered "yes" will a revised system of eligibility for OE programs represent a definite improvement over the existing system.

SUMMARY

Many of the problems posed by the linkage of eligibility to institutional accreditation are attributable to the peculiarities of the insured student loan program, or even more unique peculiarities of that program as administered by OE. Were it, for example, administered by the states, these problems would not disappear, but they would become coterminous with those of state regulation and inspection. Cheated students would beat on the doors of state legislators—and if reforms did not ensure, perhaps the responsibility would be transferred back to OE!

A distinctive peculiarity of the loan program is the need to maintain a comprehensive, current, and accurate list of a massive number of eligible postsecondary institutions. Appearance on that list can have important benefits, and disappearance from it, drastic consequences, for certain schools. Clerks maintain it, but lawyers and rich corporations look over their shoulders. The cumbersome accrediting process—the committees and conferences and consultations, the endless revisions of standards, the searching or superficial self-studies, the probing or routine questions of visiting team members, which pierce or gloss over the veneer of these self portraits, the genuflections to quality and the public interest, and the impenetrable final judgment—all come down to the issuance of a public list of schools and programs. The Catholic index lists books proscribed by the church; accrediting agencies, schools blessed by a commission.

ADDENDUM 2

THE PROS AND CONS OF LINKING ELIGIBILITY TO ACCREDITATION

The following extract review the responses of accrediting agency directors to a series of questions on the use of accreditation to establish eligibility for federal programs:

Our survey closed with a series of broad questions about the advantages and disadvantages of using accreditation as a condition of eligibility for federal programs and any changes that respondents would like in that eligibility system or in their relationship with the Office of Education. A summary of replies to the question, "What are the main advantages of using accreditation to determine eligibility for federal funds? To students: To the federal government:" is given in Table 13. The categorization of short, open-ended responses was partly arbitrary, and too much should not be made of the fact that a respondent chose to mention one or two advantages which came to mind, rather than others. Accordingly, the frequency of specific responses is less significant than their substance. The responses blend into a pattern which, while not entirely consistent, is entirely characteristic of accreditors' views of their craft.

TABLE 13.—*What are the main advantages of using accreditation to determine eligibility for Federal funds? To students: To the Federal Government*

Advantage	Number
Provides assurance of the excellence, quality, or acceptability and/or the legitimacy, credibility, or stability of institutions and/or programs	39
The convenience, simplicity, ready availability, practicality, or acceptability of the eligibility system	18
The educationally effective and economically productive use of Government funds	11
The expert, sound, or reliable professional nature of the educational judgments	9
The economy of the eligibility system	9
Other advantages	5
Don't know	4
Total responses	95
Total respondents	51

Source: September–November 1973 survey of recognized accrediting agencies.

ADVANTAGES

Accreditation, it was said, affords students and the government assurance of "minimal . . . quality and legitimacy." That was the gist of the advantage mentioned most often, but so many different words were used to express the idea that many may well betoken distinctly different ideas. Thus, it was said that accreditation betokened not just "minimal quality," "something of quality," or "some measure of quality," but, often, "quality," recognized quality," "quality guaranteed," or even "superior quality" and "the best schools." "Excellence" was also used at other points in the questionnaire. Likewise, it betokened not just institutional and program "legitimacy" or "acceptability" but "stability," "continuity," "reliability," "effectiveness," and protection "against misrepresentation." Indeed, the gradations extended from a minimal or *low* to a decidedly *high* quality level, and from something less than certain to a reliable or "guaranteed" assurance of that level: somewhat contradictory ideas.

To the government, accreditation offered a convenient, simple, and economic way of determining eligibility. Use of an existing system was simpler and far cheaper than an independent eligibility system would be; it was also expedient, gaining the acceptance and cooperation of established educational and professional constituencies (which, being established, were almost by definition stronger than the constituencies whose cooperation was lost). Robert Kirkwood singled out these factors in his response: "Vast savings in costs, professional expertise of highest order, respected status of accreditation in academic world, less resisted than if government were [directly] involved [in eligibility determination]."

Kirkwood's reference to "professional expertise" was echoed by others who stated that, as it represented judgments of qualified professional men, accreditation was technically reliable. As it provided successful graduates with assurance that they could qualify to practice a licensed profession, it helped students and the government to spend money in a way which was educationally effective and economically productive and protected the public health and safety. The latter set of advantages, emphasized by respondents from the licensed professions, are incontestable, if circular, insofar as a profession also controls the standards of licensure and the technical definition of public health and safety. The technical reliability of accrediting judgments is far more questionable. It does not follow that because accrediting teams are composed of experienced administrators and professional men that their accrediting judgments are *per se* professional, since educational evaluation, if it is a profession (which is debatable), is a different one than administration, teaching, or professional practice. The *ad hoc* self study and *ad hoc* accrediting team, made up of volunteers, is far more amateurish than professional—were that not true, so much talk and effort would not be devoted to professionalizing accrediting. Altogether, it is hard to share some respondents' confidence in the reliability of accreditation as an assurance of quality and against misrepresentation.

One respondent wrote that the advantage of accreditation was that "One criteria [*sic*] is able to be used to determine the adeqûacy of all aspects of an education program. This makes it easy for the student to find an 'acceptable' school and program. Accreditation is able to mean many things to many people and thus . . . a uniform 'seal of approval' is able to be given to all aspects of schools and programs." That is a perceptive statement of the great advantage, and also disadvantage, of accreditation.

DISADVANTAGES

What were the main disadvantages to students and the government of using accreditation to determine eligibility for federal funds? Five respondents could think of none. Twelve more stated positively that there were none. Of these, two qualified their response: "None, considering available alternatives" and "I see no disadvantages, if accrediting agencies do their job well." As it happe[illegible]se were also the only two, of the twelve, located in the Washington area. Distance indeed lends enchantment.

Others enumerated some of the disadvantages which escaped their seventeen colleagues. ". . . not all legitimate institutions have wanted (or been eligible for) accreditation," the director of one regional commission observed, and the observation was repeated by respondents from several specialized agencies, who noted that some "worthwhile programs" were not accredited or were accredited by agencies which had not been recognized for that purpose. Experimental and new programs not yet eligible for accreditation might suffer. As a result, student choice could be reduced and it became more difficult for the government to encourage the development of needed new programs. It "Could force some lower cost institutions out of business." "Requiring accreditation status [of developing institutions] would sound their death," one respondent commented at another point. Government funds became hinged by a kind of tie-in sale to many standards not germane to the purposes for which they were appropriated.

The eligibility linkage also had, or could have, adverse consequences upon accrediting agencies. It tended "to make accreditation mandatory rather than voluntary" and "could tend to lower accreditation standards"; accrediting "might be skewed to federal priorities or distorted by political expediency."

A number of respondents were concerned about the excessive emphasis that might be put upon accreditation in eligibility determination and the unrealistic expectations which students and government officials might have for it. "Accreditation should not be made to mean more than it does. 'Accreditation' as such cannot and should not be an 'end all' in determining institutional eligibility." "It implies more [to students] than is actually possible. . . ." It does not "guarantee that every graduate . . . is fully competent . . . or will be successful in professional work." The disadvantage "to both [students and the government was] . . . that you can't be sure accreditation *does* speak to educational quality" (italics in original). We "Seem to settle for the form rather than the substance." A similar comment was offered by an institution president in a recent NCA survey: "Most visiting team members and most accrediting associations, especially the regional accrediting associations, are preoccupied with 'form' rather than 'substance.'"

EXTENDING THE LINKAGE

Plainly, to most respondents, the advantages of linking eligibility to accreditation outweighed the disadvantages. The great majority of those expressing an opinion would extend the requirement of accreditation to veterans benefits (Table 14). A minority felt that veterans should enjoy the freedom to enroll in useful but unaccredited programs:

TABLE 14.—SHOULD THE REQUIREMENT OF ACCREDITATION BE EXTENDED TO . . . VETERANS EDUCATIONAL BENEFITS? SHOULD [IT] . . . BE ELIMINATED FROM . . . INSURED STUDENT LOANS?

Should the requirement of accreditation—	Number responding			
	Yes	No	Don't know	Total
Be extended to veterans benefits	25	7	18	50
Be eliminated from insured student loans?	3	36	12	51

Source: Responses of recognized agencies in September-November 1973 survey. The full text of the questions was: "Should the requirement of accreditation be extended to any additional federal programs in which it is not now necessary for eligibility—such as veterans educational benefits? Should the requirement of accreditation be eliminated from any federal program in which it is now usually a prerequisite for eligibility—such as insured student loans?"

". . . there are other valid educational processes and programs than those earning accreditation." The majority disagreed. "This [present system of veterans benefits] is the biggest hoax for unsuspecting veterans and should be corrected." In addition, ten respondents suggested numerous programs for which accreditation should be required: elementary and secondary, vocational, and manpower programs, health planning and training grants, specialized programs of primary interest to their agency, all programs leading to a professional degree, programs of continuing professional education and, indeed, "all federal educational programs." Support for making accreditation mandatory seemed particularly strong in the health professions. One respondent noted that "we are working to put accreditation into a new health manpower Bill" in order to reduce the freedom of "federal health staff" who opposed "resource concentration" and wished to support a "number of programs which developed with limited faculty," it being hard to attract many good faculty to programs financed mainly by "soft money"—i.e., income from *ad hoc* projects rather than continuing tuition, endowment, or state appropriations. Judgments of eligibility, he said, were better left to qualified professional agencies than to the "ideological influence" of government staff.

Contrariwise, only three respondents would remove, while 36 would retain, accreditation as a condition of eligibility for insured student loans (Table 14). To remove it, the director of one proprietary school agency feared, "Would destroy the program by excessive abuses. Program exists only because of congressional and administrative respect and reliance on accreditation for quality control."

SHOULD ANY UNACCREDITED SCHOOLS BE ELIGIBLE?

"Are there any programs or schools," we asked, "which you feel could qualify but have not applied for accreditation in the (educational or geographic) area of your agency's accrediting?" Two-thirds, including all five proprietary school agencies replying to the question, said that there were (Table 15); 23 even hazarded the number: all told, over 2,500 programs or schools; allowing for nonrespondents, this would yield over 1,000 additional schools (most of them, proprietary) and 2,000 programs that might qualify for accreditation.

Why have so many qualified or qualifiable schools and programs not sought accreditation? The most frequent explanation was the newness of the schools, programs, or accrediting activity. Nothing, apparently, saturates an educational field so thoroughly with accreditation as time. At the outset, an accrediting agency is ill-known; its policies, repute, and power cannot be assessed with confidence; the agency itself may be selective in its admission policy. Historically, many agencies have started out being exclusive and ended up becoming all or almost all inclusive (there are advantages to keeping a few outside the fold). The director of an accrediting agency recognized by OE a few years wrote, "Previously we have not published and distributed our standards and procedures widely. . . . We have also not encouraged schools to apply. . . . The accreditation was so closely held by educators at existing schools that they discouraged new schools from applying or receiving accreditation."

Many have not applied for accreditation because they have felt no need for it or were unable to apply because of institutional policy. Junior college presi-

TABLE 15.—ARE THERE ANY PROGRAMS OR SCHOOLS WHICH YOU FEEL COULD QUALIFY BUT HAVE NOT APPLIED FOR ACCREDITATION [TO YOUR AGENCY] . . .? SHOULD SUCH UNACCREDITED SCHOOLS BE ELIGIBLE FOR FEDERAL PROGRAMS?

Question and type of agency	Number responding			
	Yes	No	Don't know	Total
Are there accreditable programs or schools?				
Regionals and New York regents	6	2	3	11
Proprietary school agencies	5	0	0	5
Specialized agencies	19	13	1	33
Total	30	15	4	49
Should they be eligible for Federal programs?				
Regionals and New York regents	3	3	3	9
Proprietary school agencies	0	6	0	6
Specialized agencies	13	10	4	27
Total	16	19	7	42

Source: Survey of recognized agencies, September–November 1973. The full first question was "Are there any programs or schools which you feel could qualify but have not applied for accreditation in the (educational or geographic) area of your agency's accrediting?"

dents have opposed specialized accrediting with special firmness; state-approved programs training graduates for employment within the state may have little need for the enhanced national standing and easier reciprocity of licenses often gained by graduates of accredited programs. As regional accreditation suffices to qualify most students in professional programs for federal benefits, specialized accrediting in a number of fields is more important at independent schools than at colleges or universities where "It is frosting they feel they don't need." "Most are accredited by a regional agency, thereby making professional accreditation unnecessary for federal funds." "Some institutions either do not regard specialized accreditation to be of sufficient value, or are not in a position to undertake [it]. . . . The natural reluctance of large institutions to undergo avoidable additional accreditation proceedings is well understood."

For-profit schools may object to accrediting standards such as a tuition refund policy or restraint in advertising and to the (real or nominal) element of control or accountability inherent in accrediting. Disdain for, indifference, or obliviousness to accreditation is, of course, not confined to for-profit schools. But the era when it caused widespread abstention from accreditation has past for the higher education commissions and the legally entrenched professions (though distaste and disinterest are still expressed, the expressions come from accredited institutions). However, newer and less well established agencies find opposition (sometimes leading to rival accrediting) and indifference an obstacle to growth.

Cost was cited by ten respondents as a reason for failure to apply for accreditation. And questionable quality: either a school or program was of borderline quality and feared that it might be turned down, or, being borderline, new or experimental, postponed applying until it was on surer ground.

A net majority of respondents opposed rendering otherwise qualified unaccredited schools and programs eligible for federal programs. Opinion varied by the type of agency: those from the regionals split three ways; those from proprietary school agencies all opposed this course; and a thin majority of those from specialized agencies favored it (Table 15, bottom half). However, the answers demonstrate the hazards of statistics when the circumstances of respondents differ so greatly. A careful examination of their all-too-brief explanations indicates that many who said "yes, unaccredited schools or programs should be eligible" really meant "yes, if accredited by another (regional or specialized) recognized agency." In short, their "yes" was, in fact, equivalent to a "no, unaccredited schools or programs should not be eligible." Hence, it appears that the true majority opposing the eligibility of entirely unaccredited schools and programs was larger than indicated in our table.

Most respondents appeared in agreement on several intertwined principles: accreditation was the only practicable and widespread national test of minimal quality; it also required compliance with standards not related to quality; a number of schools or programs of comparable quality were unaccredited; if there were some way of identifying them, they deserved to be eligible; and, finally, accrediting standards which were not relevant to educational quality, stability, student protection, or any other government interest were, in effect, excess baggage which accredited schools must carry to become eligible, and which could unfairly disqualify unaccredited schools from eligibility. If there were some way of discarding that baggage for eligibility determinations, it would be fine. But is there?

"If there are other means for assuring the quality and stability of the programs, yes," unaccredited programs should be eligible, Robert Kirkwood wrote. "Accreditation should not be seen as the only measure of quality. If they show other evidence of excellence they should be eligible for federal funds," wrote the director of a specialized agency. "Yes, if they are good and well managed and have on the basis of the 'record' done a good job in educating students," wrote another; and a third: "It depends on why they are not accredited." The last respondent we will quote put the "excess baggage" principle clearly. "A school may well meet its stated objectives, be satisfactory to its students, but not meet some aspects of accreditation criteria vital to the schools constitutiong the accrediting agency. The USOE might well have reason to disregard these particular criteria in considering funding eligibility."

EFFECTS OF RENDERING UNACCREDITED SCHOOLS ELIGIBLE

"If reputable but unaccredited schools were eligible for federal programs, what effect would that have on your agency?" Some two-thirds of specialized agency respondents thought it would have little effect; two-thirds of those from proprietary school agencies felt it would hurt them; respondents from the regionals were more evenly divided (Table 16). Only four respondents believed that the policy might actually help their agencies.

Confidence that an agency would be basically unaffected if unaccredited schools or programs were eligible was founded upon the strong position of the agency, whose work had often begun before, and rested upon grounds independent of, the invocation of accreditation in federal statutes. The "cohesion of the higher education community in our region" would remain, said one regional director. "Accreditation . . . has been desired by institutions before Federal funding and there is no reason to believe it will not continue to be desired," said a second. And a third: "Unaccredited schools have a right to participate in Federal funding if they offer quality education or training."

Many specialized agencies would remain unaffected because they were not in any event utilized for eligibility purposes. "Can't see that it would make any difference at all," wrote the director of a large agency. "The USOE doesn't seem to be making any use of our accreditation now" (relying instead on regional accreditation). The strength of professional agencies rested on other factors than federal funds: their educational standing; the heavy concentration of enrollment, leading faculty, and research in accredited programs; the influence of associations on many professional and national activities other than accrediting, and their dominating role on licensure boards and standards. All of these would remain unaffected by any special federal charity to a few unaccredited programs. And if, as was true in medicine and several other licensed fields, the profession maintained a monopoly of education—if there *were* no unaccredited professional programs—the government would have no object for its charity: ". . . we will not allow a school to start," wrote one director, "that does not meet our pre-accreditation requirements, and to continue if minimum requirements are not met." The licensed professions are indeed islands of monopoly in the sea of competition. (To be sure, there are many other such islands in the economy: more island, it may be, than sea.)

TABLE 16.—IF REPUTABLE BUT UNACCREDITED SCHOOLS WERE ELIGIBLE FOR FEDERAL PROGRAMS, WHAT EFFECT WOULD THAT HAVE ON YOUR AGENCY?

Type of agency	Number responding: Very little	It might: hurt us	It might: help us	No direct answer	Total number of: Responses	Total number of: Respondents
Regionals and New York regents	5	6	2	0	13	11
Proprietary school agencies	2	4	0	0	6	6
Specialized agencies	23	9	2	4	38	36
Total	30	19	4	4	57	53

Source: Survey of recognized accrediting agencies, September–November 1973.

Fears that extending eligibility to the unaccredited would hurt their agency were based in part on the danger that educational and accrediting standards would be lowered and unneeded schools formed which would water standards. But their major source was a belief that eligibility had become a primary function of accreditation and a primary motive for seeking it: should the silver cord be cut, some or many schools might withdraw. ". . . some public institutions may have funds withheld for membership and dues if [accreditation] . . . were not a requirement." "Some schools consider eligibility for Federal Programs as a principal reason for seeking accreditation." ". . . the institution would not make the effort to obtain program accreditation if they could receive funds without [it]. . . ." "If federal programs were available some schools may feel accreditation was not necessary." ". . . it reduces the 'clout' we would otherwise have." Robert Kirkwood thought it would hurt the regionals: "It is unlikely that eligibility would be based on reputation, which means that the government would have to set up some basis for determining eligibility, which means that the government would either slide or move directly into some kind of accrediting activity, which in turn would put the government into competition with the non-governmental accrediting agencies, and this would probably hurt us *and* education."

The few respondents who thought that granting eligibility to unaccredited schools and programs would actually help their agency reasoned that it would "relieve the pressure" to accredit purely for eligibility purposes. "It would . . . reduce the forces pressing non-accredited schools into programs, processes and expenditures they otherwise would appraise on the basis of different criteria." Freed of the compulsion to gain and maintain accreditation for its financial benefits, schools and programs would be able, once again, to apply voluntarily for it and accrediting agencies, to concentrate on their primary purpose of maintaining and improving educational standards.

POSSIBLE ELIGIBILITY MECHANISMS

Respondents did not brim over with practical suggestions in response to our question about "how reputable but unaccredited school might be rendered eligible for federal programs (without becoming accredited)?" A number were uncomfortable with the question. ". . . reputable to whom?" it was asked. "It is hard to imagine 'reputable but unaccredited' schools of a type eligible for federal programs," Robert Kirkwood remarked. Rockefeller University is one such school, unaccredited by Middle States, though rendered eligible because it is registered with the New York Regents. Another was the Antioch School of Law, rendered eligible directly by the commissioner, seven months before it gained status with Middle States. (Even a few months loss of eligibility can be important to new schools.) A considerable number of reputable junior colleges in the North Central states and a larger number of for-profit schools provide additional examples.

Others made it plain that they opposed any such course. "No. And they should not get federal aid." "No, nor do I believe it desirable." "Some type of accreditation, however minimal, would be essential."

Altogether, fifteen respondents—none from proprietary school agencies—offered suggestions. Several noted that a number of alternative avenues of eligibility were already in force and had seemed to work reasonably well. The "candidate status" or "reasonable assurance" offered by the regionals were examples, and the three letters certifying the acceptance of credit by accredited institutions. (Indeed, there have been notably more scandals and abuse from accredited than from the unaccredited schools participating in the insured loan program.) Despite the misgivings noted above, Kirkwood suggested that "a stronger and more tightly controlled version of the '3 letter route' might be tried."

Two respondents suggested that state authorization to operate or approval after special review by a designated state agency might work. A few suggested direct review by OE or another federal body. One referred to a direct institutional review of the type, perhaps, that AIES staff have conducted for a very few schools; the others, apparently, to an evaluation by federal staff with the advice of professional panels, like that undertaken in R&D and training grant awards. "It is done frequently by various agencies, to encourage 'innovation.' In general we do not favor it." The government "would have to have appropriate task forces to judge the relevance of educational opportunity such a school offered to students. For example, many nontraditional programs are not accredited, but may offer excellent educational programs and they should be eligible for funds." ". . . eligibility should be contingent on convincing evidence of [the] merits of their programs. This could involve an independent evaluation."

Finally, a few offered suggestions which, if we are not mistaken, appeared to coincide with those of the Newman task force, although none was detailed sufficiently to convey a realistic idea of how they might actually be administered. Basically, they called for the specification of eligibility criteria by the government and a determination, independent of accreditation, of whether or not these criteria were met. Unaccredited schools "could be examined according to specific guidelines set up by the federal government," one respondent suggested—and then added, "but this would be tantamount to accreditation." "Where they [reputable unaccredited institutions] cannot be accommodated by existing accrediting agencies, the government should continue to render assistance on the basis of some minimum eligibility criteria it would establish."

One respondent proposed a system of eligibility geared to the subsequent performance of graduates. "Eligibility for the federal funds should be considered on the basis of whether or not the school or educational program . . . appears acceptable as a result of the examination of its record of graduates and the service which the school provides to its students and community—not arbitrarily or solely on the basis of accreditation as such." That was essentially the now fashionable proposal for determining eligibility or accreditation by measuring student "outputs" (a term more applicable to things than persons). We have earlier characterized this proposal as an impractical shibboleth. Might it not be struck down by the courts on the same grounds as was the action of the New York Higher Education Assistance Corporation in denying loans to students at schools with high delinquency rates? For it would rest the eligibility of freshmen upon the performance of alumni. This appears inequitable and also unconstitutional, rewarding or punishing one class of students for the conduct of another.

Our two final questions, "What changes, if any, would you like to see in the present system whereby eligibility is linked to accreditation?" and "What changes, if any, would you like to see in the present relations between OE and the accrediting agencies?" evoked essentially the same responses. Most liked, or accepted, the present system. Many would also like greater freedom from OE regulation and a few, a system in which eligibility was cut completely free from accreditation; but, all told, things were not bad as they stood.

Fifteen respondents stated explicitly that they wanted no changes in the present eligibility system and only six suggested any; the remaining thirty or so said nothing at all, and "qui ne dit mot, consent."

Among the bolder suggestions were that the functions of eligibility and funding should be separated: "leave eligibility . . . determination to government agencies"; that programs which are accredited "or otherwise acceptable to the U.S. Commissioner of Education" be funded; that an "administrative mechanism [be established] for continuing identification of reputable postsecondary institutions not covered by [the] existing system"; and that greater "flexibility" should be introduced into the "arbitrary" linkage of eligibility and accreditation; "a direct approach to the government ought to be made available and should become more routine than at present."

Evidently the accrediting agencies need assurance that their purposes in attempting to maintain educational quality are not eroded by the eligibility processes. Within my limited experience the present system seems to work for those schools wishing to be guided by accreditation standards. For many others outside that category, but nonetheless worthy of consideration, the system serves no purpose. There is in the current arrangement the profound risk that purposes become reversed; that funding becomes the basis for need of accreditation rather than accreditation and its acceptance of educational standards being the basis for funding.

Most respondents did not see it that way. Eligibility had become so identified with accreditation to them, and accreditation with all that was reputable in education, that the only changes they could envisage were to strengthen accreditation and extend its role in eligibility determinations and (as they had so much confidence in the value of accreditation—public self-criticalness is not the most striking trait of accrediting staff) to loosen the bonds of OE supervision. Accreditation should be "available to *all* vocational schools"; it should be "universal and stronger"; eligibility by accreditation should "cover the gamut of [HEW] programs . . . in state and local governmental and nonprofit organizations in the health, education and welfare fields"; the "consumer would be better protected if more reliance were placed on professional [rather than institutional] accreditation. . . ." Agency relations with OE were "quite satisfactory"; "cooperative and good"; "excellent"; and "productive and helpful." They "provide for extensive two-way communication and for a dialogue based on the public interest." "Lines of communication have always been open. Assistance has been readily available." However, if changes were to be made, they were of two kinds, both of which gave greater power and independence to the agencies: 1. The agencies should have more influence on AIES. "A voice in the deliberations of OE. Representation on the advisory councils." "An advisory or consultative panel from the agencies which would review or discuss OE procedures and policies." ". . . peer representation when criteria are developed, peers on the committee that grants recognition. . . ." 2. OE should relax its review activities and "paper-bound" requirements and delegate more, or all, of them to a body like NCA or FRACHE. "Government should ask [the] simple question of whether a school is accredited or not. . . ." "OE should leave more of the details as to the means in attaining quality to us. . . ." "Have all recognition of accrediting agencies by one *non-governmental* body. . . ." ". . . FRACHE . . . should be able to attest to OE as to the quality of all regional commissions" (including the secondary and vocational school commissions?); ". . . rely on NCA recognition"; "Accept NCA findings for all agencies eligible [for NCA recognition]. "Is OE role really necessary? Should the public law which created its role be amended? Aren't NCA and FRACHE well qualified to perform same role as OE?"

Mr. ORLANS. I believe that Mrs. Levin has one or two things she would like to say and Dr. Arnstein has a statement of his own. I may say that none of us has seen what the other has said before coming before you.

Mr. O'HARA. All right.

Mr. ORLANS. I would just like to comment on the last point that was under discussion by the previous witnesses, which, although accurate, is, I believe, misleading, and I speak not only of the practice of agency accrediting in the proprietary field, but I believe of other accrediting agencies. The normal policy is indeed to publish in some form the names of schools whose accreditation has been withdrawn, but that form is not compiled or distributed and does not normally become a matter of systematic public record as is true of the lists of accredited schools.

Very frequently it appears in a mimeographed brochure which goes to their membership or in a press release and it has a more ephemeral character.

In the higher education directory which is issued every year we can find by looking at the name of all colleges listed whether they are accredited or not. There is no such comprehensive listing in the nondegree or vocational field. I think such a listing would be most useful.

There is, in short, no comprehensive list of unaccredited vocational and proprietary schools and still less any comprehensive list of those which were once accredited and have had their accreditation withdrawn.

One exception is the American Bar Association, which is quite bold about this and ought to know the law—and a lot of the accrediting agencies are concerned about suit. The bar association publishes a full list. It names the unaccredited law schools as well as those that are accredited.

I would like briefly to cover the use of accreditation as a basis of eligibility in four major programs of student aid, some of the advantages and drawbacks, and desirable changes in the system so far as insured student loans are concerned.

Educational benefits to veterans are contingent upon the approval of their proposed course of study by an agency designated by the governor of each State.

The unit of approval is a course. not a program or institution. Courses may be approved at accredited or unaccredited institutions, as well as at police academies, fire departments, museums, insurance companies, factories, hospitals, and other organizations and enterprises which are not primarily educational. However, it is one thing to visit a museum and approve its art course, and quite another to visit all the campuses of the Universiy of California or the State University of New York and separately approve their thousands of courses.

As a practical matter, most courses taken by veterans at colleges and universities have been approved without inspection. VA regulations distinguish "college level" courses offered for credit from vocational or "clock hour" courses, for which separate approval and more onerous recordkeeping is required—even when such courses are given at a university or junior college. The approval agencies have concentrated their inspections and selective approvals upon courses offered by proprietary schools.

Accredited proprietary schools can employ the tuition refund policy of their accrediting agency; unaccredited schools must employ the stricter pro rata refund policy specified in the VA statute.

About half the States extend approval to accredited proprietary schools without special inspection; the remainder approve them only after inspection on the same basis as unaccredited schools.

There are more unaccredited than accredited schools with approved courses but, as accredited schools are larger, they enroll proportionately more veterans. Accreditation is not required and unaccredited colleges or proprietary schools may have courses approved.

Students seeking loans under the federally guaranteed loan program must qualify for attendance at an eligible postsecondary institution.

To become eligible, degree-granting institutions must establish that they are accredited, or preaccredited, by a recognized accrediting agency or, if unaccredited, that their course credits have been accepted by three accredited institutions.

Nondegree granting vocational schools have had fewer, or no, alternatives to accreditation. Some 500 public area vocational schools listed by State agencies as eligible under thel 963 Vocational Education Act and 750 proprietary schools in selected States whose licensing procedures were approved by an advisory committee were granted temporary eligibility until an accrediting agency in their region or field was recognized by the Commissioner of Education; thereafter, they were given 5 years to gain accreditation or lose eligibility.

The 1972 Education Amendments extended eligibility to public vocational schools approved by State agencies recognized by the commissioner, but no such alternative is available for proprietary schools.

Thus, only 2,000 proprietary schools participate in the insured loan program, compared to perhaps 5,000 approved for veterans.

The Commissioner has authority to render individual schools eligible directly but, fearful of the political pressures and technical difficulties, he has not done so.

Student beneficiaries aged 18–22 who, since 1965, have received aid from the Social Security Trust Fund, must be enrolled full time at an "approved" educational institution.

The rules for approval are extremely liberal and include:

1. All schools accredited by recognized accrediting agencies, including all programs of a school which has only one program accredited by a specialized agency;

2. Schools whose credits are accepted on transfer by three accredited institutions;

3. All public institutions operated or supported by a Federal, State or local government agency;

4. All schools licensed by State agencies, approved for veterans, used by State vocational rehabilitation agencies, or receiving State or local tax exemption, loans, scholarships, or other financial aid.

Unlike the Veterans' Administration and the Office of Education, the Social Security Administration devotes little staff effort to establishing and maintaining its list of eligible schools, relying largely upon the lists prepared by other Federal, State, and private agencies.

The eligibility rules of the several Federal manpower training programs administered by State and local agencies vary in different States and little comprehensive informaion is available on the number and kinds of participating schools.

ACCREDITATION IS NOT REQUIRED

In some States, all public and licensed private institutions are eligible; in States which require no license, all private schools with courses approved for veterans may be eligible.

Contracts for vocational rehabilitation may be let with any private school deemed suitable for a particular trainee even if it is not accredited or approved for veterans.

In summary, accreditation is one means by which a postsecondary school can become eligible for student aid programs but it is not usually the only means. The most important exception is in the case of insured student loans, for which only accredited proprietary schools are eligible.

There is an inverse relations between the extent of reliance on accreditation and the size of the staff needed to make independent determinations of eligibility.

The Office of Education, which relies heavily on accreditation, maintains a relatively small staff to determine eligibility; the Veterans' Administration, which relies less on accreditation, subsidizes approving agency staff in every State and also makes payments directly to schools for their recordkeeping on veteran enrollees.

There is also a direct relationship between the size of agency staff and the extent of efforts to counsel and protect students. The State agencies which deal wiht vocational trainees and veterans have many weaknesses and failings, but they make a visible effort to serve individual students.

The Office of Education is notably weaker at helping students and the Social Security Administration does not seem to regard this as its function.

Most eligibility systems rely either formally or informally on both State and private accrediting standards, since both are omnipresent.

Legally, the regulation of educational institutions is a State responsibility, while private accreditation represents an effort to promote comparable national standards without which our diverse State and local systems of education and professional practice would be reduced to chaos.

A system of eligibility for large numbers of students and postsecondary schools should be equitable, offering students and schools in every State and field an equal opportunity to qualify; it should insure that funds are spent for the purpose for which they are appropriated—not always precisely defined—and it should give studenst an honest and, if possible, useful education.

These objectives seem simple enough but they are not easy to achieve. State regulation and private accreditation together have not prevented misrepresentation in the catalogs, advertising, and recruiting of academic and vocational, nonprofit and for-profit institutions.

Regulations cannot insure the financial viability of any school, and numbers of private colleges and proprietary schools have gone bankrupt.

Administrators of public and private, accredited and unaccredited schools have been guilty of fraud, and too many students at schools and colleges have received no, or little, refunds upon dropping out of classes.

Correspondence schools, trade schools, junior colleges, and liberal arts colleges have joined in silent collusion with students to give and receive merchandise, recreation, or a period of leisure courtesy of the taxpayer.

Many students have been prepared for nonexistent jobs with or without the foreknowledge of college presidents and professors, school proprietors, and instructors.

No system which must determine the eligibility of thousands of institutions can be perfect. No set of regulations can insure the financial probity, educational quality, and social usefulness of every program offered by more than 10,000 postsecondary schools, hospitals, and other institutions offering academic, professional, or vocational preparation to over 3 million beneficiaries of Federal programs. The goals of any eligibility system must be realistic—which is to say, modest—if they are to be achieved.

Three basic approaches to a large-scale system of institutional eligibility have been employed in varying combinations: Determinations by Federal, State, and, accrediting agencies.

Federal officials have made few direct determinations of institutional eligibility that involve judgments of educational quality. To make, and periodically renew, such judgments about many thousands of schools would be technically difficult, expensive, and politically all but impossible.

Federal officials can readily enforce objective requirements such as statements of compliance with civil rights or State licensing law, and additional requirements might well be added, for example, bonding has been suggested by Congressman Bell, a pro rata refund policy, observance of FTC guidelines, and perhaps, the disclosure of completion and job placement rates.

State officials determine the conditions under which an institution is permitted to operate: whether it need meet only the requirements of a private business or nonprofit organization or those of a special school licensing law.

However, judgments of institutional quality are as difficult for State as for Federal officials. To be equitable, administrable, and legally enforceable, licensing regulations must be clear, specific, and nondiscriminatory; they must be based upon objective, not subjective, grounds.

Thus, they can require that a school post bond, observe fire and sanitary regulations, and employ only licensed teachers. They cannot require that it offer good and useful education. State officials dare not even express their opinion that one school is better than another without risking suit for damages.

The great and distinct advantage of accreditation is that, since it represents an action of private citizens undertaken at the voluntary request of an institution, it puts on public record a judgment of educational quality that no governmental body dares make. Hence, it divides the world of postsecondary institutions into two parts: the accredited, which is formally found to meet minimal educational standards; and the unaccredited, which may or may not meet them. The question is moot until a school applies for and is denied accreditation. About 75 percent of higher educational institutions—or some 2,000 out of 2,700—and under 20 percent of proprietary schools—or 1,600–1,700 out of 10,000—are accredited.

Hence, accreditation is a great practical convenience to any program seeking an inexpensive, defensible way to reduce the number of eligible institutions and/or to confine eligibility to schools which meet at least some minimal standards above the level required by State law.

The use of accreditation strengthens the influence of private educational forces and maintains a private counterweight to what would otherwise be an exclusively governmental system of eligibility determination. And the use of accreditation is expedient, gaining the good will and support of powerful educational, professional, and business interests.

Unfortunately, it also brings in its train a number of disadvantages. Institutional accreditation is a fallible and intermittent judgment, sometimes made at intervals of 10 years or longer. I visited one university with a regional accrediting loan in 1972 that had not been visited since 1955 or 1956.

Some accredited institutions are of poor quality and probity; they can be on confidential probation; many offer programs that are unaccredited by professional accrediting agencies.

Contrariwise, a number of good and useful schools remain unaccrediety by choice or necessity, because there is no suitable agency in their field or they do not wish to meet certain standards that can be irrelevant to their purposes and those of a government program, as, for example, a technical institute or business school may not wish to offer liberal arts courses required for regional accreditation.

The maintenance by the Commissioner of Education of a list of recognized accrediting agencies has required continued Government scrutiny of agency operations. On the one hand, this has given the Government an uncomfortable power over these private agencies; on the other, it has led OE to put excessive and unrealistic reliance upon the agencies to enforce Governmental policies, to police member schools, and even to withdraw eligibility via the withdrawal of accreditation, rather than through direct Government action.

OE has become so dependent on accrediting agencies that it has never withdrawn recognition from any, because it has no adequate alternative for retaining the eligibility of worthy schools, especially in the proprietary field.

The financial importance of eligibility has influenced accreditation judgments, impaired the voluntary nature of accrediting, and given certain agenices a monopolistic control over public benefits.

On balance, I believe that it is in the interest both of the public and of accrediting agencies to reduce the formal reliance now placed on accreditation in eligibility determinations.

As a first step, the exclusive reliance on accreditation as the only means by which proprietary schools can qualify for insured student loans should be ended. Useful unaccredited schools should be able to qualify, perhaps by the determination of a new private body, and the Office of Education should act independently to disqualify any school which violates the objectives of the loan program.

OE should issue and, with the assistance of State authorities, enforce any independent regulations that are needed to accomplish this. If misleading advertising serves to exploit students, it should be made grounds for suspending a school's eligibility; if pro rata tuition refunds and the posting of bond protect a student's rights and the public's funds, they should become conditions of eligibility.

It is foolhardy for a government agency to rely solely on accreditation to render a school eligible or to withdraw its eligibility. No matter how admirable and effecive an accrediting agency may be, its purposes differ and should differ from those of the Government.

Relying upon accrediting agencies to enforce public policies is an abdication of the Government's direct responsibility to protect the public interest.

Mr. O'HARA. Thank you very much, Mr. Orlans.

Do you, Miss Levin, or Mr. Arnstein have any comments to offer?

Ms. LEVIN. One of the things I noticed in our research was that we have no knowledge of either the names of the schools that are actually participating in various student assistance programs or the degree to which students are involved in these programs.

The VA, for example, does not publish a list of schools which have veterans attending, although I understand you can get a computer printout which will list the names of schools as well as the names of veterans attending in a given year.

The Social Security Administration in its departmental regulation lists schools which are eligible only by taking the schools from the higher education directory and I think they separately list foreign schools as well as accredited business schools.

The guaranteed student loan program publishes a list of eligible institutions but the schools which are actually participating in the loan program, and while some 8,000 schools are eligible, we don't know how many are participating.

The State loan agencies don't tell the Federal people how many students are participating.

It was, therefore, my conclusion that we need some kind of list of schools which are eligible to participate in the various student assistance programs and those which in fact do participate.

I think the comment was made before that there are many schools in existence that are wholly or greatly dependent upon student assistance programs for their existence.

It might be useful to identify them and also the number of students they enroll. When a school becomes eligible under the loan program they submit now to the Office of Education, I believe, some enrollment statistics, but because eligibility is not time limited, because once eligibile they are always eligible, the Office of Education does not have a way of keeping current enrollment statistics.

Dr. Arnstein, in testimony last week, suggested that eligibility should have a time limit attached to it. I agree with that, partly because schools could then periodically update their enrollment statistics so you would be able to gather together information on how students are using these programs, and o put it next to the enrollment data.

That might be useful to monitor schools which seem to be excessively dependent upon the various student assistance programs. In the guaranteed student loan program, we found three home study schools which generated sme $81 million in loans over a given year.

Someone should monitor the activities of such schools. Home study schools are a good example, because they operate across State lines and may not come under various State licensure regulations.

Mr. O'Hara. Thank you very much.

Mr. Arnstein, do you have anything to add?

Mr. Arnstein. I would like to add a few comments.

Short of direct Federal intervention or determination of quality, we now have reliance on two systems: One is accreditation, which is basically monitored by the Office of Education. It is not working adequately.

The other one is administered by the Veterans Administration, delegated to the so-called State approving agencies, which is not working either.

One of the things I hope this committee will give some thought to is a comparison between those two systems and whether there could be improved linkages in order to achieve some of the safeguards that we are trying to identify here and possibly build into future legislation.

Basically State licensing should be a reliable indicator of quality, but it is not because otherwise there would be no need for private voluntary accreditation nor for the State approval agencies operated by the VA.

Mr. Goddard in his testimony pointed out that visiting teams on accrediting visits are made up of experts.

I would put it a little bit differently. I would say visiting teams are made up of unpaid amateurs. Now, it is perfectly true that they are experts in their specialty. I recall a visit in which I participated as an observer where a dentist looked at the training of dental technicians. It never occurred to him to inquire into the qualifications of the administrators, to examine the sales manual, and to ask about refund policies and other business and finance aspects. He was a nonexpert, an amateur with respect to those things.

It is in this sense that we have to think of accrediting teams in keeping with what the law says, namely, that the U.S. Commissioner of Education recognizes those accrediting agencies which he determines to be reliable authorities as to the quality of training offered by an educational institution. But the quality of training is quite different from the integrity, honesty, and ethics of the school, which is where we are having so much difficulty. It is there that the accrediting teams offer no assurance of quality, integrity or probity.

I also would like to mention that the accrediting bodies of the three organizations, the Association of Independent Colleges and Schools, the National Association of Trade and Technical Schools, and the National Home Study Council are recognized by the Commissioner of Education but less than half of the State approving agencies which pass on veterans benefits rely on the accreditation provided by these three agencies.

I have a tabulation which is more than a year old based on data furnished by these three accrediting bodies as to which State approving agencies rely on them; the count shows that less than half of the States according to the data provided by the State commissions are indeed accepted, which would seem to indicate that at least half of the States or more find them other than reliable authority despite the fact that they are so recognized by the U.S. Commissioner of Education.

We looked at the veterans system which is really a State system, Federally financed at more than $10 million a year. Again I would urge this committee to look at the linkages which are largely nonexistent between the two systems, the lessons to be learned, and how we can design a system that will work better.

As for the Federal responsibility, again my prepared statement spells this out in much greater detail. I would welcome the idea of the Federal Government, preferably on an interagency basis, providing some funds for workshops for the training of State staffs, possibly for the training of accrediting staff and accrediting visiting teams.

The details remain to be worked out but one of the reasons why "inspections" are done so badly is because nobody has paid much attention to it. There have been no funds available to upgrade the quality, to arrange for workshops, to compare ideas, to have State officials determine what worked in their State and what did not, and to what extent good State laws encourage migration of some schools into other States where the States are weaker or more congenial, something that has happened with both diploma mills and correspondence schools which find it convenient to operate under a flag of convenience.

[The full statement follows.]

STATEMENT OF GEORGE E. ARNSTEIN, EXECUTIVE DIRECTOR, NATIONAL ADVISORY COUNCIL ON EDUCATION PROFESSIONS DEVELOPMENT

Thank you for inviting me to give my views today, Mr. Chairman and members of the Committee. Although much of the background information is derived from the study on *Private Accreditation and Public Eligibility* (Brookings/NAPA) I want to emphasize that I speak only for myself, not for my past or present employers, nor for my colleagues on the study: Harold Orlans, the senior author who is here this morning; Jean Levin; and Elizabeth Bauer.

Historical background and recent data on the various systems of eligibility for veterans benefits are offered in a study by the Educational Testing Service in which I participated, published by the House Veterans Affairs Committee, Print No. 181, September 19, 1973 (and also by the Senate Veterans Affairs Committee, Senate Print No. 18, September 20, 1973): *Educational Assistance to Veterans: A Comparative Study of Three G.I. Bills.*

As an indication that there is rising concern with problems of eligibility on the part of other Congressional committees, on the part of Federal agencies including the Federal Interagency Committee on Education, and the states, I would like to cite "Ph.D. Anyone?" an article on diploma mills I wrote for *American Education*, July 1974, and the article on consumer abuses and protection scheduled for *American Education*, August-September 1974.

The hearings today, Mr. Chairman, are potentially of pivotal importance because they inquire into a subject which has been largely unexamined. The Federal government is involved in an increasing numtber of programs which provide Federal payments to certain schools, or to students who receive payments by virtue of attending selected schools. The system for selecting the schools, the system of determining eligibility, however, is not working very well.

In part it is not working well because the Congress has focused on it only rarely, with the notable exception of the Committees charged with oversight of the G.I. Bill. In the process of overcoming these defects, however, some new problems were created.

Let me be specific. We now have several avenues of access to eligibility.

(1) For research awards most agencies examine a specific proposal, possibly send someone on a site visit, and make a decision on an individual basis. This custom-fitted system is not foolproof, but generally works well. It also

is expensive. It is cost-effective in determining the eligibility of a school for a $100,000 research grant.

(2) For disabled veterans—as juxtaposed to most veterans—there is provision for rehabilitation including individual counseling. Again, there is sufficient individualized supervision and decision-making to result in the system working reasonably well.

(3) For most programs administered by the Office of Education, eligibility derives from accreditation or some form of equivalency, as specified by the Accreditation and Eligibility Staff of O.E. This system works less well, in part because we have Federal officials relying on a private, voluntary effort and seeking to use it for their own purposes. This does not seem right: Private agencies, with purposes of their own, with standards of their own, form the main support for determining the eligibility for thousands of schools and millions of students. Note, incidentally, these private accrediting agencies rely on unpaid volunteers to make site visits and decisions, assess the "host" school for expenses of the accreditation, and operate entirely with private funds including membership fees.

The system exists, mostly because there is no usable alternative, which is another way of saying that state licenses and state laws are not reliable indicators of quality or integrity of a school.

I know of no Federal agency which relies on state licensing laws as the criterion for eligibility for Federal programs, although there are a goodly number of programs which specify a state license, or exemption from state licensing, *plus* additional criteria.

(4) For veterans benefits, there is a complex system which offers two routes to eligibility through something called the State Approving Agency. There is no such thing as *Federal* approval of courses for veterans (except for foreign schools). That approval is delegated by law from the Veterans Administration to the State Approving Agency which is so designated by the Governor of each state. About two thirds of these SAA's are in state departments of education and one third are in state departments of commerce, labor, or veterans affairs. Their performance is uneven, to put it gently.

Eligibilty, or approval, is conferred by the SAA. It *may* rely on accreditation, and most SAA's do so in higher education, less so in vocational and technical schools. SAA's also may disregard accreditation and may approve courses directly, by relying on some 14 criteria which are prescribed by law (Chapter 36, U.S. Code, Section 1776).

There are lots of things to be said about the SAA's and their performance but the most important are these:

If the state licensing laws were reliable and enforced, the entire SAA system would be redundant.

While the SAA's are state agencies, 49 out of the 50 state approving agencies operate under a contract with the Veterans Administration and are Federally reimbursed. The V.A. spends about $10 million per year on the SAA's.

In some states, the same state officials perform both functions: state licensing and state approval for veterans. California is an example; an estimated two-thirds of the budget of the Bureau of School Approvals is Federally reimbursed.

In other states, the two sets of "inspectors" may report to the same officials in the state department of education but are barely on speaking terms. In other states, they are not even in the same department and operate independently of each other.

What all of this means, in my opinion, is that Federal eligibility now derives from uncoordinated systems operated by somebody else.

Accreditation was not "invented" for purposes of Federal eligibility so it should hardly be blamed for not serving as a reliable indicator of quality or integrity.

State licensing is not a reliable indicator of quality, in part because state lawst, where they exist, are riddled with loopholes. My favorite one is the so-called "a3" provision in the California licensing law.

State Approval Agencies for veterans are not reliable either. The V.A. does not fully rely on them and spends more than a million dollars per year in so called compliance visits, although admittedly some SAA's do protect veterans better than nonveterans, and some states protect everybody.

Some Federal agencies have criteria of eligibility which are so generous that almost anything that exists can become eligible. The Social Security Administration probably has the lowest standards for what is an enormous Federal program with about half a million student beneficiaries. Social Security relies entirely on others; schools must be accredited, or publicly supported, or approved by the state (including approval for veterans) or they can become eligible if their credits are accepted by three accredited schools (the three-letter rule).

In short, there are various avenues to eligibility, but the system is not working because students keep being defrauded and Federal agencies are unable to get most of the benefits to reach the *intended* beneficiaries. Worse yet, worthy students who should be getting the benefits are unable to get grants or loans while Federal money goes into schools which are a disgrace by any ethical standards. Too much Federal money intended for education has been diverted to noneducational purposes.

I don't know where the fault lies—and that's not important anyway—but I do have some suggestions what to do about the nonworking system.

(1) There have been very few studies of how the various systems work, interact, malfunction, and can be improved. I have participated in two such studies during the past two years and am aware of how little is known. Accordingly I hope that the Congress will provide leadership toward more evaluation studies, more research, more planning.

(2) The two (or three) existing systems have received very little support or incentives for improvement. The V.A. pays for the SAA system, for example, but has not shown interest in past years in providing technical assistance, training, or funding any efforts toward a pooling of knowledge.

Since all of the various programs of student financial aid have common denominators, it would simplify things if the various laws had the same criteria for eligibility. The common denominators are the integrity and honesty of the institution, plus financial stability (so it won't leave students stranded if it should go bankrupt, for example), plus some minimal educational quality. Accordingly there should be a single determination of eligibility, regardless whether the Federal funds are being dispensed by the Social Security Administration, the Veterans Administration, or the U.S. Office of Education. Similarly, if the Immigration and Naturalization Service recognized a school for purposes of issuing a student visa, it should follow the same criteria and arrive at the same decision. This should continue through the whole range of Federal agencies whose interest is in seeing that their funds are being used honestly for the purposes intended. (AEI Staff has a list of Federal and other agencies which consult the AEI compilations and variably rely on them.)

What we have now is similarity of intent, with just enough differences in execution to make for confusion and uncertainty. In addition, each agency spends some money on some form of monitoring, inspection, or supervision, but not enough to make the system reasonably efficient. The range in expenditures ranges from almost nothing at the Social Security Administration to more than $10 million allocated by the Veterans Administration for state approvals. Additional millions are spent by the various states for licensing, and by Federal agencies which double-check some state activities (V.A. compliance visits, for example). As for private accreditation efforts, these too are expensive, especially for very small schools, even though the accreditation teams are mostly unpaid, while the "host" institutions are billed for travel and subsistence and membership dues.

(1) Alternative No. 1 is probably unacceptable and I do *not* recommend it: A Federal system of inspections, accountability by the schools, and determination of eligibility. In essence a Federal licensing system for purposes of eligibility. I strongly prefer exploration of several alternatives before reconsideration of this alternative.

(2) Alternative No. 2 is to take the state licensing system and improve it to the point where it can become the basis for Federal eligibility. How can the performance of the states be improved? Through Federal leadership and financial support, establish a Center for the training of state staff and technical assistance to state officials, for research, evaluation and development of tools and techniques (especially instruments to measure whatever indicators we determine to be meaningful), and a pooling of information about institutions, their performance and their effectiveness.

My own preference is for this Center to be operated under contract or grant, for example by the Education Commission of the States, but some of my friends on the Federal Interagency Committee on Education would prefer to have a Federal locus for various services along these lines.

(3) Alternative No. 3 is to take the system of private accreditation and to improve, and strengthen it to the point where it becomes a more meaningful indicator of integrity, stability, and quality. This may be worth doing; my own preference is not to rely on accreditation because it distorts for Federal purposes a system which higher education invented for reasons of its own and which has served it rather well over more than half a century. When the same system was adopted by noncollegiate schools, it also underwent some modifications and worked less well. The charge has been made that accreditation in noncollegiate schools rose to prominence under the influence of Federal requirements for eligibility, thus distorting it before a tradition of its own could be established.

In any discussion of accreditation, it is useful to keep in mind that the word—and the concept—has great variations in practice, despite a basic unity. There is regional accreditation which is institutional; there is specialized accreditation, collegiate and noncollegiate. There are accrediting agencies which are recognized by the U.S. Commissioner and there are others which are recognized by the National Commission on Accrediting, a respectable group at One Dupont Circle whose recognition is not identical to the Commissioner's. Further, several states accredit schools without the recognition of the Commissioner; and finally, there have been some self-anointed accrediting agencies which add to the confusion.

No matter which alternative we adopt, we also ought to consider some other changes in the system if we want to avoid platoons of inspectors and seek to minimize litigation:

(a) Licenses, eligibility, approval and other forms of recognition should have a definite time limit. Present practice relies on very long cycles—ten years of accreditation before renewal are normal—and massive changes can happen under this umbrella. For example, I visited a reputable college which launched a new program, advertised it, stimulated it, and then abolished it between the visits of the accrediting teams.

(b) All forms of eligibility should expire annually, putting the burden of disclosure on the applicant to demonstrate that his past performance is such as to merit renewal. This is a form of accountability which should be prescribed, both to inform students who need to know what the school truly offers and has offered, as well as to enlighten Federal agencies if they are to authorize the use of public funds at a school.

(c) Federal agencies need to collaborate toward a common system of criteria for eligibility, a pooling of information, the support of R & D in this entire area. The idea is to avoid the kind of nonsense we now have where a school may be good enough for veterans but not for Federally insured student loans, where one Federal agency insists on a more generous refund policy than another Federally assisted student gets at the same school, where the Congress says that the records of the Federal Trade Commission must be consulted, but the school may become eligible no matter what the FTC files disclose.

(d) In advocating a set of common criteria for eligibility, there can and should be room for differences in policy. Veterans, for example, under the G.I. Bill have been able to make a free choice between colleges, vocational schools, apprenticeship programs, including proprietary schools. Other agencies have provided fellowships or stipends which were usable only at nonprofit universities.

These differences are a matter of policy, laid down by Congress or in regulations by the agencies, and the variations probably are meaningful. But I see no justification for having variations of eligibility which say that ABC Barber College is eligible for veterans benefits but is not good enough for Federally insured student loans.

Both determinations seek to establish whether the school is competent and honest and if one agency knows something to evoke doubts as to its integrity, then it ought to share these doubts with the other state and Federal agencies concerned. We now have no mechanism for sharing this kind of information, much less a common determination of eligibility.

In summary, there is a Federal role to be played in the context of avoiding Federal control of education. There is a need for interagency collaboration (with FICE apparently leading some efforts in this direction). There is a need for Federally funded technical assistance, staff development and training, research, sharing of information, and leadership.

I am glad your committee is holding these hearings because we need to rationalize a system which now is built on weak foundations and which is not working, but it worth strengthening and improving.

Mr. O'HARA. Thank you very much, Mr. Arnstein.

I think I detect with all of you a reluctance to have the Office of Education making determinations of educational quality.

You indicate, of course, that the Office of Education is reluctant to make such determinations for various reasons. I detect that you also wouldn't feel very comfortable with the Office of Education making those determinations and you feel more comfortable with private accrediting organizations making determinations of educational quality. Is that a fair statement?

Mr. ORLANS. Yes, I believe so.

Mr. O'HARA. You also feel that the accrediting agencies are as presently organized and operated incapable of making judgments as to the probity of the operators or their integrity or their financial stability.

Mr. ARNSTEIN. Mr. Chairman, accreditation was not "invented," in quotation marks, for purposes of Federal eligibility. So it should not be blamed for the fact that it does not work well there.

I can't recall many certified public accountants being part of an accrediting team.

Mr. ORLANS. I think that the agencies accrediting proprietary schools have been more concerned about financial stability and also about business practices, let's call it probity, than have the regionals accrediting colleges. I say they have been more concerned. They have standards dealing with these questions, which is a different statement than to say that the standards are adequately enforced, but it is at least a first step. The colleges have not taken that first step.

Mr. O'HARA. Well, it seems to me that what we need is a combination of the several systems. What would you think of a system that defined an eligible institution as one that was (*a*) licensed by the State; (*b*) accredited by the appropriate agency, with whatever exceptions you might put in for preaccreditation and so forth; and (*c*) meet certain standards of financial responsibility and truth in advertising and disclosure and so forth?

Mr. ORLANS. The first and the third I think would be improvements. Well, the first is not much of a change. I think that exists in all systems. The third would be an improvement. I would not rely exclusively on the second, that is, to give exclusive power to determine eligibility or to determine one vital aspect of eligibility to private agencies.

All of the evil of this insoluble bond between the Government and the private agencies results from that, from the lack of an alternative. It is most important to provide an alternative in order to retain the voluntary nature of accrediting on the one hand and the freedom of the Government on the other to actually go so far as to remove its recognition from an agency, because the Government becomes as much dependent upon that agency in the present situation as the accredited schools becme dependent upon their eligibility.

Mr. O'HARA. In other words, the whole accreditation thing as a requirement you think works out badly because, (*a*) the Government becomes overly reliant on it and, (*b*) the Government is reluctant to revoke an agency's approval.

Mr. ORLANS. In fact, they have been incapable of doing so.

Mr. O'HARA. Are the agencies under great pressure to extend or retain accreditation?

Mr. ORLANS. Their standards are perverted to the needs of the Government and the Government's independence is lost—its ability independently to determine what is in the public interest.

Mr. O'HARA. Well, how then would we determine that the quality of the education offered is at adequate levels to protect the taxpayer?

Mr. ORLANS. Well, the taxpayer is not concerned with educational quality. We would have half the number of people in college today if the taxpayer was concerned with that. The taxpayer has a rightful concern to protect Government funds and that the Government can and should do.

Mr. ARNSTEIN. Mr. Chairman, there are many things wrong with approval of the courses for veterans but it has a feature which provides flexibility and alternatives.

Section 1775 of Chapter 36 of the United States Code says that the State approval agency "may" rely on accreditation for approval of courses for veterans.

In effect, the State-approving agency can decide whether a particular accrediting body is reliable or not. It is not stuck with that decision because it may then return to alternative means of assuring itself of quality before issuing approval.

The other thing—and here I agree fully with Harold—is a time limitation on approval, eligibility, and licensing. All of these things tend to be either forever or such long intervals that revocation requires an active effort so as to defeat the immediate effect of whatever it is we are trying to achieve in terms of preventing abuses.

This is why I feel strongly that all of these things should be put on a time-limited basis with the burden of proof on the school to disclose its retention rate, the delivery on whatever promises it makes, so as to help the student decide on the basis of reasonable disclosure whether this school is suitable for his purposes, what the default rate is, and other indicators which I am not prepared to enumerate at this point.

Mr. O'HARA. I don't understand Mr. Orlans' notion that we aren't concerned with educational quality.

Mr. ORLANS. I don't think the accrediting agencies are very much concerned either. The longer they have been in existence, the lower and broader their standards have been.

Accrediting is not a significant factor so far as eligibility of colleges is concerned. There are not 5 degree-granting institutions with an enrollment of 2,500 or more that are not accredited or preaccredited, so why write this into the law? It makes no difference. There is no large university in the country, no substantial-sized college that is not accredited or preaccredited.

It must follow that they are all of good quality. If you believe that, then this is the standard that the public requires. I don't believe that. I think there is a lot of poor, shoddy education going on today in many major universities and colleges, not in every part of them but certainly in many parts.

Mr. O'HARA. You know there is another explanation for why there aren't very many nonaccredited degree-granting institutions and that is because a nonaccredited degree-granting institution finds it impossible to survive, to attract students. It might be that the institution that is having difficulty with its accreditation never loses its accreditation because as soon as they are notified that they are about to lose it they end up going out of business.

Mr. ORLANS. Well, universities don't go out of business. No public institution goes out of business.

Mr. O'HARA. Well. I think maybe a public institution is in a position to correct whatever deficiencies might be there.

Mr. ARNSTEIN. Mr. Chairman, we tend to assume that the accrediting bodies accredit schools absolutely on the basis of quality.

In fact, if you look at their claims in some detail, you will find that what they accredit is something a little bit different. They say: We like to look at a school or college—it is particularly true for the regionals—whether it is satisfactorily making progress towards its own stated goals and purposes. If I may try a reductio ad absurdum, well, that means if a diploma mill overtly states its goal and makes progress toward that, then it could be accredited.

Now, that is carrying things a little too far but the accrediting bodies don't flatly claim that they are an assurance of quality.

Mr. ORLANS. The regionals have specifically given up the claim of being standardizing bodies or colleges that hold colleges to common educational standards. They have stopped that since the thirties.

Mr. ARNSTEIN. This is a necessary result of the diversity of the American higher education. You can't put an Antioch College in the same mold as the University of California at Berkeley.

The result is that accreditation cannot be the kind of indicator of quality that many people assume it to be.

Mr. ORLANS. Students don't go to an institution just to take courses. They go for particular programs. But institutional accreditation says nothing about the quality of the program. The regional agencies affirm that they say nothing about the quality of particular programs.

The specialized agencies make an effort to establish standards and in their field they have been more effective—in law, medicine, nursing, and so on—in setting meaningful minimal standards. Institutional accrediting does not attempt to do that.

Ms. LEVIN. The proprietary school accrediting agencies would be more likely to look at figures. They would say, well, this may or may not be germane to students but in fact it may be quite important.

I interviewed one man from California who told me that within the State 18,000 teachers had been trained in a year; I asked him how many were actually teaching the following year and he said 4,000. I found that discrepancy interesting.

Mr. O'HARA. Well, the problem is this: The only reason we really have to be concerned about educational quality is not so much in terms of being Big Brother and making sure that the recipient of a guaranteed loan or other Federal assistance is going to get his money's worth, although I think there is something to be said for some consumer protection legislation in education. However, in dealing with just the narrow terms that we have been dealing with in these student assistance programs, we have the necessity of trying to protect the taxpayers' funds. If you have a diploma mill and students are borrowing funds to attend the diploma mill, and in effect the school is a sham—making very few demands on the students and giving them very little in return for what it takes—it is simply a conduit through which the student might obtain funds to assist in his personal living expenses. That is a problem.

Mr. Orlans. I think the VA has recognized this problem. It is attempting to protect the taxpayer against essentially an act of collusion by a veteran who only wants the income and a school that simply wants the tuition and neither of them cares about the quality of education.

Mr. O'Hara. There could likewise be a problem in Federal programs other than veterans programs.

Mr. Orlans. I recognize the problem. I don't think it is adequately dealt with by accreditation.

Mr. O'Hara. You go further than that. You feel that accreditation really plays no useful role.

Mr. Orlans. I have not said that. I have said that regional accreditation has lost the concern that it historically once manifested with significant standards of quality. That was my statement.

Mr. O'Hara. What about the professional agencies?

Mr. Orlans. I believe that the professional agencies to this day maintain a concern, but it is a narrower concern. It is technically easier. They have a more definable set of principles.

Mr. O'Hara. Such as the dental technician?

Mr. Arnstein. Mr. Chairman, it may be worth mentioning that there is a derivative form of Federal eligibility. That is the Immigration and Naturalization Service which causes student visas to be issued on the determination of eligibility and it relies heavily on the Office of Education even though it makes its own decisions.

The result is that we decide eligibility, that some schools enjoy additional benefits which have nothing to do with student financial assistance and there is the problem that some foreign students sign up for courses which they don't really plan to attend and in effect purchase a residency permit so that they can stay in his country and work.

Mr. O'Hara. My thanks to all of you. I know you have other business you must attend to. My problem is that I have a 1 o'clock luncheon with a Governor and I have to go back to my office and get some papers before I go to see the Governor and I would like to spend the afternoon with you.

We may be calling on you again. If it would be possible after I adjourn the meeting I think the staff might like to discuss several aspects of this with you.

Mr. Orlans. Whatever you like, Mr. Chairman.

Mr. O'Hara. With that understanding then, the committee will now stand in adjournment.

[Whereupon, at 12:45 p.m., the committee was adjourned.]

APPENDIX

COMMITTEE ON EDUCATION AND LABOR
U.S. HOUSE OF REPRESENTATIVES

MEMORANDUM

Private Vocational Schools

Their Emerging Role in Postsecondary Education

By

A. HARVEY BELITSKY

June 1970

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The Author

A. Harvey Belitsky joined the staff of the Upjohn Institute in 1964. His special interests include employment problems and vocational education. He received a Ph.D. degree in economics from Harvard University in 1960; his B.A. degree was obtained from The University of Wisconsin and his M.A. degree from Syracuse University. Dr. Belitsky taught economics at Rutgers University and Lawrence University. He also served as a consultant to the U.S. Department of Labor.

His books include *The Job Hunt,* coauthored with Dr. Harold L. Sheppard, and *Private Vocational Schools and Their Students.* He is collaborating with Dr. Irving H. Siegel on a book that will deal with the future of employment. He has written articles on apprenticeship and training.

Preface

This paper was prepared at the invitation of the Bureau of Higher Education, Office of Education, U.S. Department of Health, Education, and Welfare. It is a slightly revised version of a paper which will appear in a collection of studies to be published in 1970 by the Bureau of Higher Education under the title *Trends in Postsecondary Education.* The paper is based on research made possible through a grant awarded to the Upjohn Institute by the Ford Foundation. Complete findings on the research were published in 1969 in the book *Private Vocational Schools and Their Students: Limited Objectives, Unlimited Opportunities.*

The views expressed do not necessarily reflect policies or positions of the W.E. Upjohn Institute for Employment Research.

A. Harvey Belitsky

Washington, D.C.
March 1970

PRIVATE VOCATIONAL SCHOOLS

Their Emerging Role in Postsecondary Education

Introduction

This study undertakes to clarify the role of private vocational schools as one of the institutions providing postsecondary education. The principal topics include: estimated number of schools and students, types of occupational training, nature of instruction, student characteristics, and regulation and accreditation of the schools.

The general status of vocational education is initially considered in order to explain the still inadequate awareness and acceptance of the private vocational schools and their students. Finally, in a brief concluding section, a proposal to enhance the equality of educational opportunity is offered.

Status of Vocational Education

Despite steadily growing enrollments in colleges and universities, the potential number of students who can benefit from instruction in private vocational schools will continue to be exceptionally large. The promising future of the schools is based upon at least two major conditions. First, only about one-fourth of all high school students are enrolled in a vocational education program. Second, less than 25 percent of all high school students ultimately complete a four-year college program.

The expected advances in the use of private vocational schools are grounded in the demonstrated capacity of the schools to motivate and train students with various needs and interests for specific occupational objectives. Young persons lacking vocational qualifications, private employers, and several government agencies have shown the greatest appreciation of the schools' capabilities and have also made the most use of them. In general, however, educators and school counselors have been uninformed about and even antagonistic to the private vocational schools.

Since high school graduates and nongraduates will continue to enroll in vocational schools, it is important to consider some of the plausible reasons why key persons involved in advising such students have disregarded the schools. Insights into this paradox arise from (a) the current emphasis upon college education, and (b) the contrasting objectives of vocational schools and colleges.

Dr. James B. Conant and other highly respected educators have been critical of the many parents who ignore the aptitudes and interests of their children and pressure them to pursue some form of higher education. Quite understandably, the school counselors typically reflect a community's interest in maximum college enrollment. The number of counselors in most schools is, moreover, inadequate, and the counselors who are available are unfamiliar with the needs of and the opportunities for students not headed for college. The net result of these conditions is that educational resources are not efficiently used, and numerous cases of personal frustration and disillusionment occur.

Dr. John W. Gardner, while strongly favoring equality of educational opportunity, has stressed the desirability of providing superior vocational education, and he has accented the possibilities and importance of achieving "excellence" in all forms of education and work.

The preeminence given to college enrollment by educators, counselors, and parents is naturally related to the academic program and, perhaps even more, to the ultimate types of employment that college graduates are likely to secure. The liberal arts curriculum is an important educational component of colleges and universities. Such a curriculum may be a preparation or requirement for an occupationally oriented program, but students may also select the subjects for their intrinsic value. Even undergraduate curricula that lead directly to employment (e.g., business administration or engineering) require some general education subjects. In contrast, vocational schools, particularly the private ones, offer hardly any subject matter that is not directed toward the ultimate requirements of a job; and the courses, usually less than two years in length, are not concluded by the conferring of a degree. The term "course" is used by private vocational schools to represent the entire training program. Comparatively few of the private vocational schools are actually able to confer an associate degree under current regulations in their states. Pennsylvania, for example, began considering private vocational schools' eligibility to award an associate degree in 1969.

Private vocational schools differ from colleges and universities not only in subject matter taught but also in financial structure. Colleges and universities, whether private or public, are overwhelmingly nonprofit, while the great majority of private vocational schools are profitmaking, or more accurately, profitseeking organizations.[1] This need not be noted *per se* as a distinguishing characteristic between the two types of institutions, but it has in fact been raised as an additional factor of comparison. However, it appears appropriate to focus less attention on the financial structure of an educational or training institution and, instead, to examine more closely student needs, the nature of the programs, and the competence of instructors.

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[1] A decision by a judge of the U.S. District Court for the District of Columbia might lead to the establishment of many more proprietary colleges. The Middle States Association of Colleges and Secondary Schools, Inc., was found: (1) to be in restraint of trade, and (2) to deny constitutional due process by requiring applicants for accreditation to be nonprofit institutions. See Civil Action No. 1515-66.

This approach could lead to a clearer differentiation between the two types of institutions. Perhaps it would then be concluded that colleges and vocational schools are "noncompeting groups," to be evaluated on the basis of their comparative excellence in instructional programs and the performance of their graduates on the job. (Colleges and universities should naturally be supported in their search for excellence in those fields of study that are not directly related to ultimate employment.)

Estimated Number of Schools and Students

The first serious attempt to estimate the number of private vocational schools and to consider their programs was made in 1964. Drs. Clark and Sloan estimated that there were more than 35,000 schools, with an enrollment exceeding five million.[2] However, these figures included schools offering both vocational and leisuretime training programs.

The author's study on which this paper is based disclosed a total of 7,000 private schools limited to vocational education and serving approximately 1.5 million students during 1966.[3] These conservative estimates were divided into the following four broad occupational categories:

Occupational Category	Schools		Students	
	Number	Percent	Number	Percent
Total	**7,071**	**100.0**	**1,563,556**	**99.9**
Trade and Technical . . .	3,000	42.4	835,710	53.4
Business	1,300	18.4	439,500	28.1
Cosmetology	2,477	35.0	272,470	17.4
Barber	294	4.2	15,876	1.0

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[2] H.F. Clark and H.S. Sloan, *Classrooms on Main Street* (New York: Teachers College Press, 1966), p. 4.

[3] *Private Vocational Schools and Their Students: Limited Objectives, Unlimited Opportunities* (Cambridge: Schenkman Publishing Company, Inc., 1969), p. 9.

The above figures were based upon responses to a written questionnaire by 1,200 schools and upon supplemental information provided by associations of the four types of schools. The number of cosmetology and barber schools was exact because their respective associations conduct an annual census. In 1966 the United Business Schools Association had a membership of 500 schools offering secretarial, accounting, business administration, and other courses; and it maintained a record of 800 nonmember business schools. The National Association of Trade and Technical Schools (NATTS), established in 1965, had only 200 member schools, but the Association's mailing list was several times that number.

As shown above, the majority of students attended trade and technical schools. Added to the enrollment in business schools, these two categories accounted for 80 percent of all students. However, the cosmetology and barber schools are quantitatively important because they train most of the persons entering such occupations.

The data also revealed that the average annual enrollment in each type of occupational training school was rather small. Less than 5 percent of the schools enrolled more than 2,000 students annually. The average business school enrolled less than 350 students annually; this exceeded the average enrollment in the trade and technical schools by 20 percent and was much greater than the typical enrollments in the cosmetology and barber schools.

One explanation for the small size of most of these schools is related to the importance assigned to practical, problem-solving aspects in the courses. It follows that only a short period of time is spent in large classrooms, and the costs of adequate space and machinery in shop and laboratory settings necessarily limit the size of a school building and its staff. Second, the schools are widely distributed geographically–often either located in cities with less than 100,000 persons or situated within sections of a large metropolitan area. A third reason is that the trade and technical schools (the primary focus of attention in this study) tend to train for single or related occupations. Nevertheless, collectively, the large number of highly specialized trade and technical schools offer the greatest diversity of courses.

Although most private schools operate on a year-round basis and offer both day and evening sessions, the capacity for expanding enrollment appears to be sizable. The possibilities for growth are primarily due to the underutilization of staff and facilities in afternoon and evening classes. According to a survey of NATTS members, the schools were operating at only 60 percent of their capacity. On the basis of this estimate, all trade and technical schools could accommodate an additional one-half million students.[4]

Some of the salient features of the home study or correspondence schools must be at least noted, even though such schools undoubtedly merit a much more extensive survey.

The National Home Study Council, with a membership of 120 accredited schools, is the principal association for these schools. (Some of the schools have vocational school divisions similar to those considered in this study.) Accreditation is provided by the Council's Accrediting Commission, which is recognized by the U.S. Office of Education. There are also approximately 500 nonaccredited correspondence schools. Unlike the members of the National Home Study Council, the nonaccredited schools do not always require examinations and frequent "exchange" between school and student.

Since homes serve, in effect, as a substitute for classrooms, the number of correspondence schools is much smaller than the estimated total of private vocational schools, and the enrollments are considerably larger. One international correspondence school has had more than 100,000 students during each of the past five years. The National Home Study Council members have students in every state, and their total enrollment is equal to that of the private vocational schools. When the enrollments in nonaccredited schools and the Armed Forces are added to those of the Council, the aggregate figure is five million students.

The total number of subjects taught by correspondence is about 600 and includes vocational subjects, high school courses, and college-level courses. Students can naturally hold jobs and learn at their own desired pace.

Types of Courses Offered in Trade and Technical Schools

The variety of occupational courses found in private trade and technical schools reflects the unique ability of these schools to respond to the training needs of many industries and professions. About 230 different occupational courses were offered in the more than 500 trade and technical schools examined in this study.[5] Since most schools offered more than one course, the total number of courses provided by these schools was nearly 1,500.

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[4] *Ibid.*, p. 46.
This estimate excludes the unused capacity in business, barber, and cosmetology schools.

[5] *Ibid.*, pp. 13-14.

The six major vocational categories (based on the number of courses in each category) were:

Vocational Category	**Number of Courses**
Total	**851**
Auto Maintenance and Related Services	127
Data Processing	185
Drafting	131
Electronics	159
Medical Services	154
Radio–TV	95

Less than 60 percent of all reported courses are included in the above categories. The three largest areas of training (data processing, electronics, and medical services) are acknowledged to be growth fields in most manpower projections. The other three categories cannot necessarily be designated "traditional," because drafting may be allied with the electronics industry and a radio-TV course may emphasize the repair of color television sets. Even automobile repair offers numerous employment openings for competent workers.

Other important training fields include courses in commercial arts; construction; fashion design; needle trades; shoemaking; food preparation, processing, retailing, and service; interior design and related services; machine shop; major and minor appliance repair and servicing; photography; printing; promotion, sales, and related services; tool and die design; various forms of transportation and traffic management; and welding. Finally, courses in aerospace engineering technology, waste and wastewater reconversion, gardening, hotel-motel operation, and many others though listed by only a few schools, are areas of growing job opportunities.

Not all of the courses (see list in Appendix) are equivalent to generally accepted occupational designations. However, occupational breakdowns are necessarily somewhat arbitrary, and personal differences are evident with respect to vocational interest, ability, and willingness to devote the required time to what is regarded as ideal, well-rounded training.

The great variety of occupational training is matched by a wide diversity in course length and, quite expectedly, in tuition. Tuition ranged from about

$100 to $4,500 and averaged nearly $1,200 annually for the courses offered by the members of NATTS in 1966.

Aspects of Instruction

The instruction in private vocational schools is highly specialized, with a view to the final employment objective. Therefore, the schools maintain close but informal contacts with employers. Course content is readily modified to reflect pertinent changes that are reported to school officials by employers. Decisions to add improved facilities can also be made rapidly and directly. This differs from the delays often encountered by public schools and colleges that must seek approval from school boards or legislatures.

Training is provided in a job-simulated setting. Visual aids and operative equipment of all types are typically more important than textbooks. Classroom or lecture instruction is usually followed immediately by supplementary training in the school shop, laboratory, kitchen, or "department store" in order to demonstrate the practical application of theoretical concepts. Most schools also arrange student visits to plants and offices. Modest home assignments are required for many courses because only those theoretical concepts which are relevant to the performance of a job are taught.

The emphasis upon the functional phases of instruction represents more than an adaptation to the actual requirements of an ultimate job. It also reflects the minimum level of formal education that is required for admission to the schools. A substantial percentage of all schools accept students who have not completed high school. At least 10 percent of the business schools offer a minimum of one course that calls for less than a high school education for admission. Approximately 40 percent of the trade and technical schools provide at least one course that does not require completion of high school. Educational requirements for admission to barber and cosmetology schools are lower still; less than 10 percent of these schools require high school graduation or its equivalent.[6]

The private vocational schools have also devised methods for motivating many of their students who found the general education program in high school unstimulating. Hence, course materials are presented in short, sequential units which reinforce previously learned materials. A sense of achievement is experienced by the typical student because he is informed of his progress on a continuing basis rather than at the conclusion of a term or semester.

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[6] *Ibid.*, pp. 28-32.

Another significant aspect of the instruction offered by many of the schools is the provision of training at various levels of accomplishment within related occupations. For instance, in one school students may shift their concentration from a radio-television repair course to a more advanced course in electronics technology, or vice versa, depending on their demonstrated aptitudes and interests. Some schools even provide courses in different occupational fields and permit students to alter their specialty course. These options are, of course, advantageous to students who would otherwise fail their course or else be compelled to accept the dissatisfactions of employment in an occupation that is not their first preference.

A final feature of the instruction is the result of course selectivity among the generally self-financing students. Since the students select occupational courses which they prefer, they are much more likely to be motivated than they would be in the absence of such free choice. Concomitantly, the previously mentioned components of the instruction have such a strong appeal for the students that they contribute *per se* to rather high student motivation. Dr. David P. Ausubel is authoritative in supporting this type of instruction:

> Psychologists have been emphasizing the motivation- learning and the interest-activity sequence of cause and effect for so long that they tend to overlook their reciprocal aspects. Since motivation is not an indispensable condition for short-term and limited-quantity learning, it is not necessary to postpone learning activities until appropriate interests and motivations have been developed.[7]

Evaluation: A Continuing Need

The ultimate value of instruction in private vocational schools is demonstrated both through the graduates' success in finding training-related positions, and in their occupational progress during their working careers. Only partial assessments of student achievement have, however, been made.[8] In any case, since schools change their curricula and teaching staffs or simply fail to adopt important changes initiated by other schools, a continuing means of evaluating the training schools must be available.

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[7] "A Teaching Strategy for Culturally Deprived Pupils," in Miller and Smiley, eds., *Education in the Metropolis* (New York: The Free Press, 1967), p. 293.

[8] Dr. Kenneth B. Hoyt's Specialty Oriented Student Research Program at the University of Maryland is virtually the only source for such findings.

Accreditation or evaluation of most private vocational schools is voluntary, as it is for all types of education in the United States. States do establish hygienic rules for barber and cosmetology schools; and state and federal laws determine the scope of training for a limited number of technical occupations, including certified pipewelder, commercial pilot, ship radio officer, and tractor-trailer driver. Generally, however, business, trade, and technical schools are evaluated by private accrediting organizations.

Accrediting teams evaluate a school on the basis of its success in achieving the purposes and objectives the school has set for itself. About 500 out of an estimated 1,300 business schools are members of the United Business Schools Association (UBSA), sponsor of a recognized accrediting body which has accredited about 250 schools. Schools that are not accredited by September 1970 will no longer be eligible for active membership. In contrast, only about 10 percent of all trade and technical schools are members of NATTS, which received its accrediting status from the U.S. Commissioner of Education in 1967, two years after the Association's establishment.

A "visiting team" from NATTS or UBSA is the principal effective body for evaluating private vocational schools. The team, consisting of technical specialists (industry representatives, educators, and school owners) who are not affiliated with the school under consideration, verifies the school's claims regarding its courses or programs. A check is made of a school's business practices, including job placement records and student recruitment procedures, especially when the school's recruiting representatives work on a commission basis. Student impressions are secured through random interviews.

A NATTS member school must seek accreditation for any newly acquired affiliate, and an accredited school must apply for evaluation of any new course.

An accrediting body examines graduate placement records at the time of accreditation, upon receipt of detailed annual reports, and at five-year reevaluation intervals. In general, practically all schools provide a placement service for their graduates, and a great majority offer the service "for life." The placement ratio (percentage of a school's graduates placed in jobs by a school) has, however, not been determined with any firm accuracy. Of course, many of the students are indirectly helped by the schools to find jobs: more or less formal sessions are conducted on how to prospect for work, and visits to schools by recruiters from industrial concerns afford students an early and convenient start in job-searching.

School followup of students after graduation is a crucial means of determining the percentage of students who secured training-related jobs and their occupational progress over the years. Most schools follow up their graduates for one year; but only about 20 percent of the schools gather information on their graduates' employment progress after the first year. It would seem, therefore, that private vocational schools–as well as most other educational and training institutions–could improve their followup procedures and, in turn, provide accrediting teams with additional important evidence for evaluating the schools.

In the absence of dependable data on the employment experiences of private vocational school graduates, only indirect and qualified impressions are possible. In the first place, the utilization of the schools under numerous government-financed training programs represents a measure of the confidence placed in the courses, teachers, and managements. Second, close contacts between the schools and employers are likely to ensure the presentation of "relevant" training. Third, graduates recommend the schools to others, and in fact they are a principal source of new students; thus they must have been pleased with the training and employment received.[9]

In addition to the practical advantages of accreditation, such as detached evaluation and suggestions for improving a school's functioning, accreditation draws attention to competent schools and strengthens their competitive position with counselors and prospective students. Also, poor schools may be forced to improve their teaching standards, purchase necessary equipment, and generally raise their capital base.

The importance of voluntary accreditation is especially apparent when it is noted that less than half of all states license the operations of private vocational schools and that a considerably smaller percentage of the states carefully evaluate instructional courses.[10] Principal interests of the regulating states include: financial structure (e.g., requirement to post bond), teacher qualifications, course outlines, adequacy of equipment, student contracts, and advertising claims.

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[9] Belitsky, *op. cit.*, p. 125.

Eighty-five percent of about 1,100 surveyed students gave their schools at least an "average" rating.

[10] "Licensing is nothing more than a permit to do business, having regard generally to safety and commercial standards. Certification, on the other hand, is generally related to curriculum, instructional staff, facilities, etc...." See R. Fulton, "Proprietary Schools," *Encyclopedia of Educational Research*, 4th ed.

In general, the inspection of private schools by most state supervisors is less thorough than that of a NATTS accrediting team. Each state supervisor in even the larger states frequently must oversee a sizable number of schools. New York and possibly a few other states utilize subject specialists in their evaluative inspections when a school introduces a new course. According to New York law, each course must be reevaluated every five years; this is similar to a NATTS provision.

Most of the 20 states that regulate private schools require instructors to have work experience, ranging from two years in Colorado to eight years in Massachusetts, in the vocation that they are teaching. Usually work experience is an alternative to formal education, and no state requires more than a high school education. However, a survey of instructors in the member schools of NATTS disclosed that about 60 percent of the instructors actually had some college education and more than one-third of the total had at least four years of college education.[11] The larger independent schools, plus those operated as subsidiaries of corporations, often pay the tuition of their instructors enrolled part time in college courses that are related to their teaching fields.

Instructors' Roles

It is noteworthy that numerous policies regarding instructors in private vocational schools are still exceptional cases or experiments in other schools. For instance, most private schools consider a sizable number of student failures in one instructor's course, or in several of his courses over time, an indication of the *instructor's* failure.

Instructors in private vocational schools are urged to consider their students as "clients," not "charges." An important financial accountability, therefore, resides with the school and its instructors. The supervisor of a school for electronics technicians once observed that each prospective instructor must be critically evaluated, since the referrals of former students account for at least 50 percent of a school's student body. The schools are convinced that creditable teaching performances can be ensured by making teaching capability the main criterion for reward and advancement; and instructors are not usually given tenure.

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[11] Seven hundred and twenty-six full-time and part-time instructors were included in the 65 schools responding. See E.L. Johnson, *A Descriptive Survey of Teachers of Private Trade and Technical Schools Associated with the National Association of Trade and Technical Schools,* doctoral dissertation submitted to The George Washington University; reproduced in part by Griswold Institute Print Shop, Cleveland, 1967, pp. 57, 70.

A distinctive instructor-student relationship in vocational schools naturally influences the form and manner of instruction in such schools. For example, the instructors at many schools engage in "group teaching on an individual basis." This consists of students proceeding at the same pace in the theoretical part of their course and at different rates of progress in the practical or shop training. Students who are deficient in the theory portion of a course are encouraged to seek aid in frequently conducted review classes.

Shop training, on the other hand, is apparently more readily learned and applied although there are differences in performance levels here, too. It is therefore an instructor's responsibility to circulate freely among individuals or small groups of students.

Small classes and individualized instruction make many of the schools an ideal setting for training both students who failed in secondary schools and persons with a variety of handicaps who are referred by a Vocational Rehabilitation Center. Students with varied capacities surely require instructors who are not limited to a fixed lesson plan. In addition, instructors must be able to accommodate students who are at different stages of progress because students can enroll in many of the courses at frequent intervals (i.e., there is no single starting date).

In view of instructor responsbilities, the typical student-teacher ratio for classroom instruction or lectures is small–at least when compared with the ratios found in the introductory subjects of many colleges and universities. About 60 percent of the NATTS members had a ratio of 24 or fewer students per instructor. Of course, the average ratio is still lower in the shop, laboratory, and machine practice. The majority of the schools assigned 19 or fewer students to an instructor at any given time.[12]

The student-teacher ratio is also significant since teachers often counsel students. Although not licensed to provide guidance, the instructors have to assume the role of guidance counselors to assist students who have been inadequately counseled or not counseled at all while in high school. This is a direct result of the limited number of high school guidance personnel and their equally limited views on postsecondary vocational education. Consequently, many persons who drop out of school, and even many who graduate from high school, have insufficient knowledge of occupational training opportunities and the labor market. A substantial proportion of students are not thoroughly familiar with the courses provided by private vocational schools, or else they learn about the schools through friends attending them, members of their families, newspaper advertisements, or sales representatives of the schools. As a major consequence of these informal lines, many young persons who enroll in the schools are likely to do so with incomplete information on the nature of training, requirements of the occupation they are training for, and the opportunities for advancement.

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[12] Belitsky, *op. cit.*, pp. 82-83.

The counseling continues throughout a course for many students and may involve a fatherly form of encouragement that is not available at home. This includes the provision of extra assistance after class hours to a small group or even to an individual in such subjects as elementary arithmetic and reading.

Student Characteristics and Needs [13]

Since students are the major "consumers" at private vocational schools, it has been in the interest of school administrators and instructors to adjust to student differences in age, educational attainment, ability, and health.

Although the average age of the enrolled students is comparatively young, there have been numerous instances of success in training older persons, both the healthy and those ailing physically or emotionally. The study of NATTS schools disclosed a median age of 20 years for students enrolled in the day sessions; only about 10 percent of the students were 26 or older. The average age of evening students was considerably higher, with nearly two-fifths being 26 or older. Most evening students had been employed full time, and a high percentage of them still found it necessary to work full time during the day while training for a specialty within their occupation, or for a completely different vocation. For both day and evening sessions, the general age range at the NATTS schools during 1965 to 1967 was 17 to 48 years; but some schools even had students who were in their sixties.

Although enrollees in the trade and technical schools are predominantly men, several schools do provide considerable training opportunities for women in such courses as medical and dental assisting, commercial art, and hotel-motel management. The women naturally account for the large majority of students enrolled in business and cosmetology schools.

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[13] It is not known to what extent Negroes and disadvantaged members of other minorities have been enrolled in private vocational schools. Probably most of the Negroes enjoying such opportunities receive financial aid under programs of the Veterans Administration, Vocational Rehabilitation agencies, the Manpower Development and Training Act, and other government agencies. However, in some nonprofit schools, notably the Opportunities Industrialization Center (OIC), Negroes have been the principal beneficiaries. The OIC was organized in Philadelphia, but several of the training centers have been established recently in other cities.

Flexibility of the schools in accommodating students of varied backgrounds and needs is particularly evident with regard to educational preparation. Student bodies include:

1. High school dropouts with no occupational training.
2. High school graduates of a general education program who lack any specific preparation for employment.
3. High school graduates who fail to pass the private schools' aptitude tests in algebra or even arithmetic.
4. Persons preparing for a licensable occupation.
5. College dropouts, or even college students and graduates, desiring an otherwise unavailable course, such as computer programming.
6. Persons for whom the formal education requirement is eased because they have had several years of employment experience but are currently unemployed or finding it difficult, for physical reasons, to remain in their present occupations.

Besides taking account of their students' educational preparation, school administrators adjust the scheduling of courses to the requirements of students. For some courses, new students are enrolled as often as once each week. The majority of schools have four new classes annually, but they may accept students on a monthly basis. Students can also attend either day or evening sessions, and they can choose to attend on a full- or part-time basis. Courses given by members of NATTS ranged from one-half week to 130 weeks. The median for these courses was 40 weeks. Most courses require twice as long when taken on a part-time basis. The option of enrolling in a course on either a full-time or part-time basis and the great variations in course length afford considerable flexibility to students. Finally, practically all trade and technical schools operate at least 48 weeks annually, permitting the ambitious student to complete the already compact course most expeditiously.

After a typical student is enrolled in a private school, his major challenge is having adequate funds to finance all expenses during the period of education. Although empirical data are unavailable, it is likely that students are predominantly from middle-income families where the father is *not* employed in a professional or managerial position. Only a small minority of students attending trade and technical schools can rely upon their parents or personal savings to pay for their entire schooling. For example, more than two-thirds of the students enrolled at a large technical school, which has been granted recognition for transfer of credits to several colleges and universities, are compelled to work on a part- or full-time basis.[14] The school owners' practice of accepting deferred payments is a useful, albeit limited, form of financial assistance that is available in most schools. Under this practice, students may elect to pay their tuition in installments throughout the year rather than in one or two lump-sum payments.

Despite financial pressures, the student dropout rate is only approximately 20 percent in these schools–lower than the dropout rate in most high schools and colleges. This is at least partially due to student selection of courses which satisfy individual vocational interests. Financial problems are the major reasons for student failure to complete courses. The next most important reasons cited–the presence of family problems and securing a full-time job–also suggest the presence of financial difficulties for at least some of the students. School owners report that only a minor percentage of students fail to complete their courses due to lack of ability.

Prospects for Private Vocational Schools

Private vocational schools are likely to experience a consistent growth in enrollments and greater general acceptance as an important training resource for persons who do not attend college. Moreover, the congressional recommendation for use of the schools under provisions of the Vocational Education Act could lead to joint ventures with public high schools.

The types of courses offered in these highly flexible schools will be a function of at least four factors. In the first place, the schools will continue to adapt to those areas of the economy undergoing expansion and innovation. For example, the schools were among the first to offer courses in the allied health fields, computer programming, and commercial flying. Second, and especially within a specific community, the private schools will offer those courses that are either not taught in the public schools or else are unavailable in sufficient number to meet the desires of students. The third factor is the extent to which public schools, and even colleges throughout the country, will decide to subcontract with the private schools for those vocational education courses which they cannot provide for their students. A fourth factor is both the increased corporate subcontracting of training with the schools plus the significant expansion in corporate purchase and operation of the schools. This factor is also likely to have an independent influence upon the general growth of the schools.

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[14] Belitsky, *op. cit.*, p. 106.

The types of courses offered and the educational requirements for admission determine, to a great extent, the nature of the student bodies in the schools. In all probability, the students' average level of formal education has risen faster than the average educational requirement for admission to the schools during recent years. This conclusion is based on the author's study comparing admission requirements with actual qualifications of students. The greater educational preparation of most students could lead more schools to raise the level of sophistication in many of their occupational training courses.[15]

On the other hand, since most trade and technical schools have unused capacity and an interest in enrolling more students, their programs might be broadened to accommodate the large number of people who need initial training, upgrading, or retraining. This would involve accepting more persons with lower educational attainment. The author recommends a government loan-grant program as an equitable means for enabling these persons to attend private vocational schools.

Toward Equality of Educational Opportunity[16]

It would be operationally desirable to have a government loan- grant program for *all* persons seeking employment-related training in private vocational schools. There is, however, a more important reason for universalizing the program–namely, an impressive growth in social concern for and commitment to "free public education."

The goal of equality of educational opportunity must naturally also provide more persons in low-income families the option of securing a college education. Nevertheless, equality (or, more accurately, equity) will not be achieved by placing an exaggerated emphasis upon college preparatory programs in high school. Many students simply lack either the interest or the ability to attend a college or even a junior college. Also, a community college, public technical institute, or area vocational school may not always be available. Even where "free" schools are available, the courses that a prospective student wants may not be offered; or else, the course length and its contents may differ from his preferences.

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[15] Only a minority of trade and technical schools have thus far applied to colleges and actually received partial transfer credits for students desiring to attend college. Business schools may possibly have been more active in this regard.

[16] Belitsky, *op. cit.*, pp. 144-150, for a more detailed discussion.

In view of the free or heavily subsidized education that is accessible to a sizable and rapidly increasing number of students in universities, colleges, and other public institutions, it would be equitable to improve the opportunities of students who choose to attend private vocational schools. The realistic and economically sound recognition and usage of the private schools could be a major means for expanding the laudable goal of equal educational opportunity.

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[From ERIC Higher Education Research Currents]

PROPRIETARY AND PUBLIC VOCATIONAL STUDENTS

(By Wellford W. Wilms[1])

This country's ten thousand proprietary, or profitmaking, vocational schools are big business. They enroll over three million students each year, producing gross annual revenues of at least 2.5 billion dollars (Eisenberg 1973) on which substantial corporate, property, and personal income taxes are paid. Cosmetology, or "beauty," schools represent a third of the total number; trade and technical schools another third; and the business plus the correspondence schools make up the final third. Although correspondence schools represent less than a tenth of the proprietaries, they enroll two-thirds of the students and produce over half of the industry's income.

Despite their unavoidable presence, proprietaries weren't "discovered" by educational policymakers until a few years ago. It wasn't that they were new, because proprietary vocational training began in Plymouth Colony in 1635 and followed the dictates of the industrial revolution, offering training in merchant accounts, typing and shorthand. The proprietaries of the 1700s and 1800s weren't necessarily "mom-and-pop" operations either. The founders of the Bryant and Stratton schools owned 40 schools during the Civil War. Today 85 percent of the proprietaries are owned by well-known corporations such as Bell & Howell, Control Data, Minneapolis Honeywell, IT&T, and others. How could such an enormous set of institutions escape most educator's eyes for so long?

One plausible explanation is that in the early days proprietary schools were conducted as businesses and staffed by business persons whose interests centered on student recruitment and the bottom line of the income statement rather than on academics and scholarly writing. Their interests and style probably eluded most traditional educators and offended the rest.

Academic and business interests have merged in the past decade, with each nearly reversing its former direction. As academic education encountered rough fiscal sailing, it adopted many practices and hired personnel from the business sector. It paid increasing attention to recruiting students, hoping for an excess of income over expenditures. On the other hand, many proprietary schools have made a bid for "respectability" to attract more students and federal student aid funds. In doing so, they have become concerned about accreditation, transfer of credit, and degree granting status—issues that lay outside the pale of profitmaking schools 10 years ago.

This merging of interests may change into outright competition as all schools scramble for their share of the student market and federal dollars. While more information is needed by policymakers to guide the slicing of the pie, currently not much is available.

This report will identify some major findings about residential proprietary students (excluding correspondence schools) against which findings from a fresh study underway at the University of California's Center for Research and Development in Higher Education have been juxtaposed.

PAST RESEARCH

The Schools—There is virtually total agreement on one issue—that proprietary schools, driven by the profit motive rather than political survival, are firmly rooted in the marketplace (Miller and Hamilton 1964; Kincaid and Podesta 1966; Belitsky 1969; Dunbar and Berry 1970; HEW Task Force 1970; American Institutes for Research 1972; Erickson et al. 1972; Federal Trade Commission 1973(a); H. H. Katz 1973; and Wilms 1973(a)). However, conclusions drawn about the effects of being rooted in the marketplace, rather than the political system, differ. Some investigators think more stringent regulation of profit-making schools is necessary (Dunbar and Berry 1970; FTC 1973(a)) while others are more willing to leave the regulation to the marketplace.

Proprietary schools are organized as sole proprietorships, partnerships, and corporations. Even though many schools are parts of larger corporations, or chains, they tend to be small and flexible enough to accommodate students. They offer specific training for employment, short courses, operate year-round, and can respond quickly to changes in the labor market (Belitsky 1969; American Institutes for Research 1972). Erickson (1972) and Belitsky (1969) found that individual attention, faculty accountability, and frequent feedback on performance are partially responsible for high proprietary completion rates and for motivation of slow learners and dropouts.

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[1] Wellford W. Wilms is project director, Center for Research and Development in Higher Education, University of California, Berkeley.

The Students—Most research to date portrays the proprietary student as predominantly white, with an equal, if not higher, level of education, academic ability, and family resources than the student who opts for similar training at the local community college or technical school. In a comparative study of students in proprietary and nonproprietary schools, the American Institute for Research (1972) reported that students from ethnic minorities were more likely to attend nonproprietary schools because they are less expensive and often free. Overall though, they conclude proprietary and public students are about the same. Beltisky's (1969) study infers that proprietary students are relatively highly educated. Over two-thirds of the students he surveyed in 112 accredited trade schools were "over educated"—their actual education level exceeded the schools' requirements. Erickson et al (1972), reporting on some of Belitsky's work, wrote that almost all proprietary students Belitsky studied were high school graduates who ranked in the upper three-fourths of their graduating classes. In their own study of business and proprietary schools, Erickson et al. (1972) report that many proprietary business school students have above-average high school academic records and could meet 2- and 4-year college entrance requirements. Furthermore, 60 percent of the students were enrolled in the "academic" high school program.

The HEW Task Force on Vocational Education (1970) summarized existing data and concluded similarly that proprietary students tended to have higher socioeconomic status and higher levels of prior education than their public school counterparts.

Motivation is a loose term, but the proprietary student is characterized in most literature as having more of it. Both the Erickson (1972) and AIR (1972) studies imply that proprietary students are more highly motivated than public school students. The HEW (1970) report states:

> The available evidence does suggest that students enrolling in private vocational schools are, on the average, of a higher educational level, from higher socioeconomic backgrounds, and apparently more highly motivated than their public school counterparts (p. 17).

This difference in motivation is thought to result in proprietary students working hard and paying their way through their relatively expensive training (Hoyt 1963; Belitsky 1969). The HEW (1970) report sums up the research findings to 1970 by saying that, because a relatively high proportion of private students hold jobs while they study, the proprietary student may:

> . . . be a student of significantly higher "quality" than his public school counterpart, who often is essentially "unemployable" prior to his vocational training (p. 18).

The literature so far pictures the proprietary student as being on equal, if not superior, footing with his public school counterpart.

THE BERKELEY STUDY OF PROPRIETARIES

The Berkeley study began in 1973 to identify the characteristics of students enrolled in a broad sample of public and proprietary schools and to test their relative effectiveness in preparing people for employment. The design of the study was grounded in Downs' (1967) theory, and treated public and proprietary schools as conceptually distinct. Proprietary schools depend on the occupational success of their graduates for their income, whereas the public schools depend on the political process for theirs.

The study is divided into two stages. The first stage (which is complete) analyzed the characteristics of 1,370 students—accounting, electronic data processing programmers, secretarial, dental assisting, electronic technicians, cosmetology—who were close to graduating from 50 randomly selected public and proprietary schools covering six occupations. The second stage, funded by the National Institute of Education and due for completion late this year, is following 3,400 graduates of these schools into their labor market to analyze their postgraduation success after controlling for differences in student backgrounds and characteristics.

Contradictory Findings—Our findings contradict the popular picture of the average proprietary student (see table, page 6, for a condensed view of some of the data). We found that they tend to bring fewer resources to schools with them than students who go to public schools. They were more likely to have dropped out of high school or graduated from a low status "general" or "vocational" program than the student who chose the local community college or technical school. Also, the student that found his or her way into a proprietary school was more likely to have come from an ethnic minority group, either black or Spanish surname, than the student going into public postsecondary vocational training. There was a nonsignificant trend for proprietary students to come from families of lower socioeconomic status than public students, and their verbal skills lagged behind their public school counterparts.

Proprietary students were going to school more "intensely" than the public students. A full-time program in most proprietary schools exceeds 25–30 hours of in-school time each week. A full-time program in most public schools involves only about 15 hours per week of actual classroom time. However, the proprietary student will finish his course of study much more quickly than the public student. Consequently, he must work fewer hours each week and earn less, although he will be available for employment sooner.

Motivation—We measured the achievement motive using Loevinger's (1970) Ego Development, scored and interpreted under the expert guidance of Professor Fred L. Strodtbeck and Steven Hansell of the University of Chicago's Social Psychology Laboratory. Conventional wisdom pictures the proprietary student as a highly motivated, goal-oriented person willing to pay for fast training he could get free nearby. Our data bear out that he is going to school more intensely and is more concerned with job success after graduation than the public school student; but these factors are not strong enough to produce significant differences in the achievement motive between the two samples of students. Proprietary students must choose their schools for reasons other than being more highly motivated than public school students.

Student Choices—This study indicates a clear tendency for the least advantaged student not to attend the nearby inexpensive community colleges and technical schools. More often he chooses the relatively expensive proprietary schools. If public postsecondary schools are the latest extension of mass public education geared to the needs of the "new students," why do those students tend to pick the proprietaries?

One reason is that public schools, when compared with the proprietaries, look like extensions of the academic, middle-class, public secondary school system, which many new students choose not to, or cannot, relate to. Despite the current popularity of "career education," over 75 percent of the public schools in this study stated that their highest priority was educating students for life, and only secondarily mentioned training for employment. To meet this stated objective, public schools' vocational programs contain considerably more general, or nonemployment-related, coursework than the single-purpose proprietaries (Belitsky 1969; American Institutes for Research 1972; Erickson et al. 1972) who gave top priority to training students for employment.

Public postsecondary schools often recruit their faculties from elementary and secondary schools (Medsker 1960), which, according to Katz et al. (1973), gives the public schools a distinct middle-class flavor. In this same article, Katz and his associates analyze socioeconomic characteristics of the population of a California city and conclude the local community college did not recruit the segments of the population with the fewest resources. They write, "the middle income groups dominant in the administration and faculty of the public junior colleges constitute its student body as well." Katz concludes the public junior college is more a bulwark for the middle class than a channel of mobility for the entire community. Anderson, Bowman, and Tinto (1972) also conclude that community colleges have not yet reached the nation's lower classes.

People who lack middle-class advantages, particularly if they are from ethnic minorities, tend not to participate in middle-class instiutions. Recruitment patterns of the schools in the study emphasize this point dramatically. The predominantly middle-class students in public schools tended to come from high-status college preparatory programs and had superior verbal skills. High school teachers and counselors helped guide these students into higher education at the local community college or technical school.

On the other hand, proprietary students who made it through high school were more likely in low-status, general programs. They generally did not have the verbal facility of the students in the public schools. Proprietary students, who probably needed guidance from their high school counselors and teachers, apparently didn't get it, but had to rely on rather unconventional sources of information such as Yellow Pages and late night television advertisements to decide what to do after high school.

Part of the reason why high school counselors and teachers do not guide students into proprietary schools is probably that these teachers and counselors, who are middle-class themselves, feel more comfortable working with the more middle-class students—Whites who have brought with them, or acquired, good verbal skills in high school.

Another, more pervasive reason is a real gap in information that exists about the proprietary schools. When asked, Do you feel that your school competes with other schools in the area for students? only about half the public school presidents and directors responded, Yes. When asked which schools were the main competitors, by name, the community college and technical school leaders most often named 4-year colleges. None named proprietary schools, which indicates a profound lack of knowledge.

This lack of information is one-sided, however, because directors of all proprietary schools said that other schools in the area did compete with them, and named local community colleges and technical schools as a major source of competition.

To sum up, our findings contradict the conventional wisdom that motivation is the factor that determines whether students go to public or proprietary schools. This study, which includes a wide range of schools and students, shows that differences in motivation determine school choices of some, but not most, students.

Students' Expectations after Graduation—Students were asked the highest level of education, they expected to attain during their lifetime. Both groups had, in our estimation, unrealistic expectations. Almost half (49%) of the students in the public schools said they expected to attain a bachelor's degree or more, and more than a third (36%) of the proprietary students responded similarly. These expectations are not merely a function of the amount of education already attained, because only 3 percent of the public students and 6 percent of the proprietary students had bachelor's degrees then. This finding is perplexing because neither public vocational nor proprietary programs are easy or usual routes into higher education.

One explanation is that both public and proprietary schools are performing the "cooling out" function described by Clark (1960), in which students who cannot or will not perform at the institutionally defined "standard, 4-year college level," are let down, bit-by-bit, and counseled into terminal programs. They have little hope of transfering back into the 4-year, college-bound stream.

Another explanation is, despite the current popularity of denigrating the college degree, these students still feel they need one for a successful life. We can only speculate about this finding.

Students were asked how much money they expected to earn 3 to 5 years after graduation and 10 years after graduation (exclusive of their spouses' earnings). Expectancy theory (Gurin 1970) indicates that expectations depend not only on the desirability of a goal, in this case future salaries, but also the probability of reaching the goal. Many studies have shown that expectations changed quickly with feedback indicating success or failure (Health 1961; Feather 1963). Following success, most people adjust their expectations upwards, and after failure, most lower their expectations. According to these findings, students with jobs and income should expect higher salaries in the future, because, in view of their current earnings, their expected future earnings seem realistic. On the other hand, future salary expectations of students with the same achievement motive, but without a source of current earnings, should be lower. This is because, in their eyes, the probability of reaching such a high goal is lower. Predictably, the students attending public community colleges and technical institutes who had more resources behind them and were working more and earning more, expected more. On the other hand, students attending proprietary schools, who had fewer resources behind them and worked less and earned less, expected less. When we take into account the differences in current earnings by spreading the earnings effects evenly across both groups statistically, the salary expectations for each group become about the same.

These findings suggest that proprietary schools *may* be able to compensate for their students' less advantaged backgrounds by providing intensive, short-term job training. This hypothesis is strengthened by Belitsky's (1969) findings that proprietary schools concentrate on short-term successes for their students by dividing the curriculum into short, sequential units. Completion often marks the first school-related success in the lives of many proprietary students. Perhaps the positive feedback increases the proprietary students' expectations.

CONCLUSION

The objective of the study was to detect systematic differences between public and proprietary school students that operate across a variety of schools, geographic regions and occupational programs. We did not intend to generalize to all proprietary or public schools, but instead, we did want to demonstrate a principle—that public and proprietary schools march to different drummers (the public schools to the political process and the proprietaries to the market). This difference shapes the way the schools spend their resources.

Public schools, with their need to maintain a broad base of middle-class, tax-paying support, offer broad programs that appeal largely to the tax-paying middle class. Proprietary schools need to recruit, train, and place graduates in jobs successfully to get a return on their investments. Consequently, their programs are specific and determined by current labor market and consumer needs. Governed by the profit motive, rather than political survival, the proprietary schools have a built-in incentive to seek out student markets not served by nearby competing public schools.

The reason this study contradicts earlier studies is probably that earlier studies were pioneering efforts, subject to limitations and pitfalls from which we learned. For example, the Kincaid and Podesta study covered only a handful of schools in a single county; the Belitsky study included only schools that were accredited by the National Association of Trade and Technical Schools; and the HEW Task Force reported only on studies that had been finished as of 1970; the Erickson survey looked only at outstanding schools; and the AIR study may have been badly biased because half of the proprietaries chose not to participate, and they unfortunately lumped public and private nonprofit schools together, thus distorting any comparisons.

Yet, these present findings may be modified when analysis is done of the characteristics of students entering these programs in a few months. The analysis here includes students who were close to graduating—the profile of those now entering may be quite different.

SYNOPSIS OF FINDINGS

Variable	Public	Proprietary	Significance level
Number of students in sample	657	713	
Educational status (combination of years of schooling and status of high school program).	+	−	P<.001
Ethnic minority	−	+	P<.001
Socioeconomic status	+[1]	−	(2)
Verbal skills	+	−	P<.001
Hours worked each week	+	−	P<.001
Weekly earnings	+	−	P<.001
Motivation (ego development)	+[1]	−	(2)
Reliance on conventional sources of information to make school choice (teachers, counselors).	+	−	P<.001
Educational expectations	+	−	P<.001
Salary expectations (controlling for current earnings)	+[1]	−	(2)

[1] Slight.

[2] Not significant.

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Accreditation and Institutional Eligibility Staff
U.S. Office of Education

SELECTED LISTING OF AIE STAFF ON-SITE INVESTIGATIONS OF SCHOOL PRACTICES DURING THE PERIOD 1970–74

Total Number of Reviews, 22; AICS, 14; NATTS, 3; NHSC, 4; State Approved, 1; Collegiate, 1.

MAJOR CASES

Riverside University, Calif. '71 (AICS)
Southwestern Michigan College, Michigan '74
Blayton Business College, Ga. '74 (AICS)
Cortez Peters, D.C. '74 (AICS)
Stride-Dominican College, Wis. '71
Wehling Ed. System, Texas '73 (AICS)

OTHER CASES BY AGENCY

AICS

Jones College, Fla. '70
Lear Siegler, Md. '70
Durham Business College, Texas '72
Draughon's Business College, Texas '72
Texas State Legislature Study '70
Durham Business College, Texas '71
McMahon College, Texas '73
LTV Education Systems (3), Texas '71

NATTS

Career Academy/Lewis Hotel-Motel, Calif. '70
Career Academy, Ga. '72
Western Tech., Denver, Colo. '70

NHSC

International Business Academy, Okla. '72
Mayday Co., Wash. '73
Famous Writers School, Conn. '70
La Salle Extension University, N.Y. & Chicago '70 & '71

State approved

American Institute of Science and Tech., Penn. '70

Collegiate

Stride-Dominican (see above)
Southwestern Michigan College (see above)

ACCREDITATION AND INSTITUTIONAL ELIGIBILITY STAFF, U.S. OFFICE OF EDUCATION—REVIEW OF COMPLAINTS IN THE PROPRIETARY FIELD IN WHICH AIES REQUESTED A REVIEW AND "REPORT OF FINDING" FROM ACCREDITING AGENCIES RECOGNIZED BY THE U.S. COMMISSIONER OF EDUCATION

	Number	Percent
(A) Number of complaints, 1969–74:		
Association of Independent Colleges and Schools (AICS)	245	46
National Association of Trade and Technical Schools (NATTS)	156	28
National Home Study Council	139	26
Total	540	100
(B) Subject of complaints:		
1. Refund policy	212	28
2. Misrepresentation in advertising and illegitimate enrollment practices	208	27
3. Instruction, learning facilities, physical plant	186	25
4. Job placement services	88	10.5
5. School management	31	5.5
6. Others	32	4.5
Total	757	99.5
(C) Number of complaints per year, 1969–74:		
Year:		
1969	10	
1970	60	
1971	106	[1] 77
1972	161	[1] 53
1973	154	[1] −4.3
1974	43	

[1] Percentage change.

(D) *Disposition of cases (approximate):*

	Percent
In favor of school:	
AICS	80
NATTS	80
NHSC	45
Total	71
In favor of student:	
AICS	20
NATTS	20
NHSC	55
Total	29

(E) *Statement on time lag for investigations:* Generally all agencies respond within three to six weeks after they are requested to conduct an investigation However, on some occasions several months pass before the agency's response is received.

U.S. OFFICE OF EDUCATION, ACCREDITATION AND INSTITUTIONAL ELIGIBILITY STAFF—INSTITUTIONS ELIGIBLE FOR THE GUARANTEED STUDENT LOAN PROGRAMS, JUNE 30, 1974

Foreign schools			800
Nonaccredited		800	
Degree	799		
Nondegree vocational	21		
Proprietary schools			1,685
Accredited		1,341	
Degree	52		
Nondegree	1,289		
Nonaccredited		344	
4-year and higher			1,730
Accredited		1,404	
Preaccredited		239	
3 I-C		87	
Junior colleges and institutes			1,300
Accredited		830	
Preaccredited		419	
3 I-C		51	
Hospital schools of nursing			450
Accredited		450	
Nonaccredited		0	
3 I-C		0	
Medical technology			1,353
Accredited		1,353	
Nonaccredited		0	
3 I-C		0	
Public area vocational schools—(nondegree)			1,000
Accredited		139	
Nonaccredited—(Adv. C.)		812	
State approved		49	
Total			8,318
Total universe:			
Accredited			5,517
Preaccredited			658
3 I-C			138
Adv. committee approved			1,156
Proprietary		344	
Public area vocational		812	
State approved area vocational schools			49
Foreign schools			800
Higher education		779	
Vocational		21	
Total			8,318

U.S. OFFICE OF EDUCATION, ACCREDITATION AND INSTITIONAL ELIGIBILITY STAFF—INSTITUTIONS ELIGIBLE FOR THE GUARANTEED STUDENT LOAN PROGRAMS, JUNE 30, 1974—Continued

Eligibility termination (1970 to June 30, 1974)		
Degree granting institutions:		
Loss of accredited status	3	
Loss of 3 I-C	7	
Closed	86	
Total		96
Proprietary institutions:		
Loss of accredited status	129	
Closed	105	
Loss of adv. committee approval	156	
Merged with other schools	15	
Total		405
Public or nonprofit vocational schools:		
Loss of accredited status	18	
Closed	133	
Loss of adv. committee approval	37	
Merged with other schools	10	
Total		198
Guaranteed Student Loan Program—Vocational Schools, June 30, 1974		
Proprietary schools		1,685
Accredited	1,341	
Nonaccredited	344	
State approved		49
Public area vocational schools		816
Accredited	4	
Nonaccredited	812	
Allied-medical		450
Total		3,000

AMERICAN COLLEGE IN PARIS,
July 19, 1974.

Hon. JAMES G. O'HARA,
Chairman, Special Subcommittee on Education,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN O'HARA: As you suggested at our meeting on May 14, 1974, I have sent to the members of the Special Subcommittee on Education relevant background information on the American College in Paris and our efforts to seek eligibility for assistance under federal programs supporting higher education. A copy of the documentation is enclosed.

Please let me know if any additional information is required. In the meantime, I should like to express, on behalf of the entire College community, my sincere appreciation for your willingness to consider the case of the American College in Paris.

Yours sincerely,

FRANCIS MINER,
Chairman, Board of Trustees.

Enclosure.

1. THE AMERICAN COLLEGE IN PARIS: A BACKGROUND SUMMARY

STATUS

Founded in 1961 as a private two-year liberal arts college, the first such independent American college to be established outside of North America.

Incorporated in the District of Columbia as a non-profit institution of higher learning.

Licensed by the Board of Higher Education of the District of Columbia to confer the Associate in Arts Degree.

Currently an applicant for the license to grant the Bachelor of Arts Degree which was presented to the D.C. Board of Higher Education on May 31, 1974, and which will result in the College granting its first B.A. degrees in the spring of 1976.

Accredited by the Middle States Association of Colleges and Secondary Schools, the only independent American college outside the United States and Mexico to have earned accreditation from a recognized American regional accrediting association.

Recognized by the French Ministry of Education as an institution of higher learning approved by the University of Paris.

Signatory to cooperative exchange agreements with The George Washington University and New England.

PURPOSES

Located in a national capital which is traditionally the cultural and intellectual center of Europe, the American College in Paris serves the American community abroad, non-Americans seeking a bridge into the American university system and Americans from the United States who have felt that a learning experience in a different culture was essential to their understanding of a rapidly changing world.

As an independent, non-profit, non-sectarian institution, the College has formulated its own objectives: to offer an American education in Europe, permitting transfer in and out of the American university system; to train students for fluency in a foreign language; and to enable them, partly through the linguistic tool, to gain an understanding of a different set of values and a different way of looking at human and political problems.

PROGRAM

The educational program at the College combines a broad liberal arts curriculum with an international living experience. The College offers sound preparation for undergraduate majors in fourteen areas of study, including the sciences and business administration. In addition, a four-year program has been introduced, initially in two areas in which the College has access to exceptionally rich teaching and research resources—international affairs and French studies. The College Development Plan envisages additional four-year programs which will be established at such times as they can be effectively added to the curriculum.

STUDENT BODY

The student body of the College numbers approximately 350, eighty-five percent of whom are Americans, with half coming directly from the United States and half from American families abroad. The remaining fifteen percent is composed of foreign nationals representing some 25 different countries.

FACULTY

The College is distinguished by the quality of its faculty, which is recruited from Paris, one of the most productive intellectual centers in the world. Of the 35 professional teachers and scholars now giving instructions at the College, more than 60% hold earned doctorates and all have advanced specialist qualifications in their fields. One-third of the faculty is full-time; two-thirds are shared with the many university faculties and advanced study institutes in Paris. The faculty is composed primarily of Americans living abroad, and of foreign nationals with experience as teachers and students in the American university system.

OUTREACH

The College is a natural center for international educational exchange, both internally among students and faculty and externally through programs designed to bring the students into contact with Europeans and their traditions.

As a teaching center of American intellectual culture the College represents America directly to its foreign students and to the French community. Beyond the events held for the public and beyond the many visitors who see the College as an extension of America in Europe, the growing international reputation of the American College in Paris as a serious institution of high quality is a credit to America.

Graduates of the College have a considerable advantage in applying for transfer to the best colleges in the United States. They are sought for their language skills, for their experience in an international setting, and for the maturity that life in a major urban center abroad both requires and encourages. Whether they choose employment in the diplomatic service of international business, as many do, or whether they return to live in the United States, the students of the College increase the outreach of the institution through the application in their own lives of an understanding of another people.

SOURCES OF SUPPORT

Income is derived almost solely from tuition. Because of its location, the College is ineligible for support from the U.S. Federal government, despite Federal recognition for student benefits under the Veterans' Readjustment Act, the Social Security laws, and the Guaranteed Student Loan Program. Moreover, the College is an approved tax-exempt institution of higher learning in both France and the United States. (IRS No. 98–0013023)

The loyalty of the alumni and alumnai of the College is extraordinary for a young institution. An alumni association is being formed to translate this good will into a source of income. But with few exceptions, the alumni of the College are too young to be able to give substantially.

The three sources of support presently available to the College are thus foundation, corporate and individual philanthropy. Since there are few corporate tax incentives in France for gifts to non-profit institutions and since the American tradition of individual philanthropy is largely lacking in France, the College must turn to foundations, corporations and individuals in the United States who are interested in promoting the image of America abroad.

2. The Problem and the Proposed Solution

Considering itself as an integral part of the U.S. higher education network, the American College in Paris approached the U.S. Office of Education for possible assistance under the various pieces of higher education legislation. In addition to exchanges of correspondence, personal visits by the Chairman of the Board of Trustees and the President of the College were made in July, 1973, to the Deputy Commissioner of Higher Education and the Assistant Director of the Accreditation and Institutional Eligibility Staff of the U.S. Office of Education. Alas, although a sympathetic hearing was received, the various officials indicated that the American College in Paris was ineligible for anything but Title IV-B (Guaranteed Student Loan Program) of the Higher Education Act of 1965 (as amended). To substantiate this view, pertinent provisions of legislation were cited, for example, the following language from the Higher Education Act of 1965 (as amended):

"Title XII—General Provisions: Section 1201 (a) The term 'institution of higher education' means an educational institution in any State . . . (b) The term 'State' includes, in addition to the several States of the Union, the Commonwealth of Puerto Rico, the District of Columbia, Guam, American Samoa, and the Virgin Islands." (Citation: P.L. 89–329—"Higher Education Act of 1965. Title VII, Sec. 801—amended by P.L. 90–575, Title II, Sec. 251, 293, and 294 and P.L. 91–230, Sec. 806(b); subsection (1) added by P.L. 92–318, Sec. 131 (d) (1).)"

In subsequent sections of the Higher Education Act (for example, Section 302. Eligibility for Special Assistance (Title III); Sec. 491. Student Assistance Programs; Section 782, Higher Education Facilities) there is reference to the eligbility of educational institutions "in any State." It was understood that counsel for the Office of Education would rule any U.S. institution physically located abroad as ineligible even though fully accredited by national accrediting organizations and incorporated in the U.S.

A curious parallel situation is the fact that when the Department of State is approached concerning possible support of American College in Paris under the provision of legislation designed to support foreign institutions, (American Schools and Hospitals Abroad, Section 214 of the Foreign Assistance Act of 1961, as amended) the College is told that it is ineligible because it is an American institution.

Inasmuch as the College has been unable to resolve this problem through normal government channels, the conclusion has been reached that the issue can be settled only through legislation. It is therefore recommended that the eligibility language in the various pieces of higher education legislation be changed accordingly. Suggested additional wording is underlined:

"The term 'institution of higher education' means an educational institution *incorporated* in any state (*including those institutions with some or all of their program located outside the boundaries of the United States*) . . ."

If the above were inserted in Section 1201 (a) of the Higher Education Act of 1965 (Title XII, General Provisions), the rest of the general provisions relating to accreditation, non-profit status of the organizations, etc. would continue to apply.

3. THE CASE FOR ELIGIBILITY TO PARTICIPATE IN FEDERAL PROGRAMS SUPPORTING HIGHER EDUCATION

American higher education must be encouraged to expand its horizons internationally, and the few, fully accredited, non-profit U.S. institutions which are located abroad should be eligible for the same assistance as those located physically in the United States. The suggested change in the legislation surely would not open the flood gates for the outflow of resources to such institutions since there are presently only three located abroad that can claim full accreditation by a U.S. regional accrediting association (the American College in Paris and the University of the Americas and the Instituto Technologico in Mexico). On the other hand, the proposed revised legislation would provide a strong incentive for those serious institutions operating in overseas areas to meet the high standards which are demanded by regional accrediting associations in the United States.

In support of its efforts to achieve broader eligibility for participation in federal programs supporting higher education, the American College in Paris summarizes the following facts which we believe support our case:

1. The College is charted and legally incorporated as a non-profit corporation in the District of Columbia;

2. Of the eighteen current members of the Board of Trustees of the College, fourteen are U.S. citizens and three are distinguished Frenchmen, including the brother of the President of France and the heads of two major American banks in Paris;

3. As part of its governance structure the College has a U.S. Executive Board which serves to promote the College's interests in the United States;

4. The College grants the Associate in Arts Degree on the authority of the Board of Higher Education of the District of Columbia; a four-year program has been developed and an application for license to grant the B.A. degree was filed on 31 May, 1974;

5. The College has achieved full accreditation with the Middle States Association of Colleges and Secondary Schools thereby having become the only independent American college to be accredited outside the United States and Mexico;

6. Founded in 1961 as the first independent American College in Europe, the College operates in Paris to meet the educational needs of American families abroad in Department of State, military, international business and international organization posts and to satisfy the demands of American students from the United States for an international dimension to their educational experience;

7. In any year approximately 85% of the College's student body are United States citizens;

8. The College serves as a bridge into the American university system for the 15% of its students who are non-Americans;

9. The College's tuition is charged in U.S. dollars;

10. All employees of the College are paid in U.S. dollars directly from the United States except for French citizens who must be paid in French francs;

11. All American employees receive U.S. Social Security benefits and may participate in the American university professors pension scheme managed by the Teachers Insurance and Annuity Association (TIAA);

12. The College has been approved by the Internal Revenue Service as a non-profit, tax-exempt institution of higher learning (IRS No. 98 0013023);

13. The College is currently eligible for student benefits under the Veterans'

Readjustment Act, the Social Security laws, and the Guaranteed Student Loan Program;

14. From discussions with the officials of the Department of Health, Education and Welfare, it appears that the College is eligible to participate in various autonomous programs, i.e., Fund for the Improvement of Post-secondary Education, National Institute of Education.

EDUCATION COMMISSION OF THE STATES,
Denver, Colo., August 3, 1973.

DEAR SIR: I am pleased to be able to forward for your information and consideration the "Report of the Task Force on Model Legislation for Approval of Postsecondary Education Institutions and Authorization to Grant Degrees" including proposed Model State Legislation.

This model legislation is addressed to consumer protection in postsecondary education, including degree granting institutions and the regulatory power of the states in authorizing such institutions to operate. It is designed to protect both consumers and legitimate institutions from substandard and fraudulent practices within the postsecondary educational sphere.

I am also pleased to be able to enclose a formal letter of endorsement from Mr. Lewis A. Engman, Chairman of the Federal Trade Commission.

At the 1973 Annual Meeting of the Education Commission of the States (ECS), the Steering Committee accepted and endorsed this report and the model bill for the careful consideration of governors, legislators, and educators in the states.

Accordingly, it is in this spirit that we are pleased to transmit to you the attached report.

Sincerely,

REUBIN O'D. ASKEW,
Governor of the State of Florida,
Chairman, Education Commission of the States, 1973–74.

Enclosure.

FEDERAL TRADE COMMISSION,
Washington, D.C.

Re Model Post Secondary Educational Authorization Act.

EDUCATION COMMISSION OF THE STATES,
Denver, Colo.

GENTLEMEN: The Federal Trade Commission has reviewed the above named Model Legislation as approved by your Steering Committee on June 27, 1973, for presentation to the various states. We would like to congratulate you on your efforts to draft meaningful legislation for the regulation of postsecondary educational institutions, including private vocational schools. As you know, the Federal Trade Commission is vitally concerned with the unfair and deceptive practices engaged in by some postsecondary educational institutions because of the serious problems these practices pose to consumers.

The Federal Trade Commission would support the adoption by the various states of the Model Legislation in the form approved by ECS' Steering Committee. This legislation, when combined with comprehensive regulations adopted pursuant thereto, and a strong and effective state regulatory body, will go a long way toward preventing or correcting the abuses which have often characterized segments of the postsecondary school industry.

By direction of the Commission.

Sincerely yours,

LEWIS A. ENGMAN, *Chairman.*

MODEL STATE LEGISLATION FOR APPROVAL OF POSTSECONDARY EDUCATIONAL INSTITUTIONS AND AUTHORIZATION TO GRANT DEGREES

(A summary report of the model legislation to the steering committee of the Education Commission of the States at the annual meeting, June 27–29, 1973)

APPROVAL OF POSTSECONDARY EDUCATIONAL INSTITUTIONS AND AUTHORIZATION TO GRANT DEGREES

SECTIONS OF MODEL LEGISLATION AND SUMMARY STATEMENT

Section 2. Purposes.—The model legislation is designed to protect citizens, students, and institutions against questionable, unethical, and fraudulent practices including those of what are referred to as degree mills through the regulatory powers of the state by:

(1) Establishing minimal operational standards (educational, ethical, fiscal, and health and safety);

(2) Prohibiting issuing of false or misleading credentials;

(3) Controlling use of academic terminology;

(4) Prohibiting misleading advertising or solicitation; and

(5) Providing for preservation of records.

Section 3. Definitions.—The critical definition is "postsecondary educational institution" and the Task Force attempted, in cooperation with the Federal Interagency Committee on Education and the U.S. Office of Education to develop a definition sufficiently broad to include all postsecondary educational operations, including those applying to or available to persons of post-high school age. It was the decision of the Task Force to operate from such a broad definition to specific exemptions rather than to use a narrower definition in order to insure that it did not inadvertently create loopholes by restrictive definition.

Section 4. Exemptions.—The specific exemptions would include:

(1) Exclusively elementary and secondary institutions;

(2) Fraternal, professional, or business organizations offering in-service education for employees or members only;

(3) Institutions offering solely avocational or recreational education;

(4) Education by eleemosynary institutions not leading to credentials;

(5) Public postsecondary educational institutions—however: Although the Task Force recognizes the need for providing minimum standards for all of postsecondary education in order to protect all current and potential consumers, generally, publicly authorized existing postsecondary educational institutions would not be effected by the provisions of the model legislation. However, in the interest of insuring at least minimal standards for all postsecondary education for the protection of both institutions and consumers, the Task Force recommends that policy makers and educators at the state level give careful consideration either to exempting public postsecondary educational institutions as determined by the designated agency or commission; or, as an alternative, although such public postsecondary educational institutions might be exempt, it is still suggested that such exempt institutions be expected to conform to the minimum standards for approval or authorization to operate as determined by the agency or commission.

Section 5. [——— Agency.] [Commission on Postsecondary Institutional Authorization.]—The Task Force felt that it would be inappropriate to suggest to the states where governmental authority should be placed for carrying out the provisions of the model state legislation. The designation of an existing agency or commission in the state very much depends upon circumstances within the states. The range of possibility either for designation of an existing agency or establishment of a new agency would depend upon state statutes, constitutional constraints, accepted practice, and political realities, all of which vary from state to state.

The Act suggests two approaches, either designation of an existing agency or creation of a new agency. If an existing agency is designated, it should have the capability for and some experience in utilization of regulatory powers. It should also have an understanding and empathy for the institutions to be regulated. Further, if it is not currently representative of the constituent institutions to be regulated, it should develop an appropriate advisory structure with such representation. If a new agency is formed, the Act needs to be further modified to specify methods of selection or appointment of members of the commission, terms of office, provisions for removal and filling of vacancies, and provisions for staff and their functions. The new agency or commission should have fair and equitable representation of the several components of postsecondary education and of the public.

Whether an existing agency is designated or a new commission formed, the Act specifies the powers and duties such an agency should have, including:

(1) Establishing minimum criteria;
(2) Acting upon applications from institutions and agents;
(3) Maintaining a list of authorized institutions;
(4) Negotiating interstate reciprocity;
(5) Publishing rules, regulations, and procedures; and
(6) Investigation upon complaint.

Section 6. Minimum Standards.—In establishing criteria, the agency or commission is called upon to take into account minimum standards that include:

(1) Quality of content commensurate with program objectives;
(2) Adequate facilities, equipment, and personnel to obtain objectives;
(3) Personnel qualifications consistent with objectives;
(4) Adequate catalogues and information for students;
(5) Appropriate educational credentials in relation to program;
(6) Fiscal responsibility;
(7) Fair and equitable refund policy.

The Act provides that at the discretion of the agency, accreditation by a U.S. Office of Education approved accrediting agency may be considered as evidence of having met the criteria.

Section 7. Prohibitions.—The Act prohibits:

(1) Operation by unapproved institutions or agents;
(2) Misuse of advertising;
(3) Misrepresentation;
(4) Misuse of institutional titles and credentials.

Section 8. Authorization to Operate.—Upon application by an institution and after having been satisfied that the institution meets the minimum criteria established by the agency or commission, the agency or commission shall grant an authorization to operate to the institution specifying the conditions and terms of the authorization. Such authorization must be renewed periodically.

Section 9. Agent's Permit.—In addition to authorizing institutions, the agency also has the power to authorize agents soliciting students for institutions whether in or out of the state who are soliciting students for correspondence courses or for attendance at the institutions. Through use of agent's permits, the agency or commission thus has some control over the types and quality of postsecondary education offered to residents of the state by out-of-state companies, institutions, or agencies.

Section 10. Denial of Authorization to Operate or Agent's Permit. Section 11. [*Agency*] [*Commission*] *Review. Section 12. Revocation of Authorization to Operate or Agent's Permit. Section 13.*—These sections include procedures in relation to negative judgments in regard to institutions or agents and an appeals procedure to insure due process for institutions and agents.

Section 14. Bonds Required. Section 15. Fees.—For the protection of students or would-be students, both institutions and agents are required to post bonds to cover liability for contracts with students in case the institution ceases operations. *Section 15.* provides for fees in support of the commission or agency, such fees to be paid into the gentral revenue of the state.

Section 16. Preservation of Records.—To insure continuity of records for students who may need them at a later date, the Act provides that the agency or commission is authorized to preserve or cause to be preserved the academic records of institutions which cease to exist and has the power to seize such records of discontinued institutions if they are in danger of being destroyed, secreted, or otherwise made unavailable.

Sections 17–25.—The remaining sections relate to enforceability of contracts, civil and criminal violations, court jurisdiction, enforcement procedures, funding, and related issues.

MODEL STATE LEGISLATION

Report of the
Task Force on Model State Legislation for Approval of Postsecondary Educational Institutions and Authorization to Grant Degrees

Education Commission of the States
1860 Lincoln Street
Suite 300
Denver, Colorado 80203

June, 1973

Report Number 39

MODEL STATE LEGISLATION

Report of the
Task Force on Model State Legislation for
Approval of Postsecondary Educational Institutions
and Authorization to Grant Degrees

Addenda

1. REFERENCE: Section 6. Minimum Standards. (1)(a)(iv) of Model Legislation; Add to Commentary:

   A requirement that qualifications of students for enrollment in an institution be included in the institution's catalogue was discussed. It was not included in the suggested legislation because such a requirement might be considered as a mandate to establish such qualifications, thereby introducing a barrier to educational innovation by institutions which would like to consider all applicants without regard to formal prerequisites. The Task Force has no desire to dampen innovation in this area, but would suggest that if regulations can be drawn carefully to require disclosure of such qualifications by schools which have strict requirements in this area, while leaving other schools free to experiment with innovative, less rigid admissions requirements, this would be desirable.

2. REFERENCE: Section 6. Minimum Standards. (1)(a)(xii) of Model Legislation; Add to Commentary:

   "Consideration should be given to inclusion in the regulations, as a part of the 'fair and equitable' cancellation policy required of institutions, of a 'cooling-off period,' in which the purchaser of educational services would be given a specified time to reconsider his commitment to purchase, and to cancel if he chose to do so."

3. REFERENCE: Section 19. Violations-Civil-Penalty., and Section 20. Violations-Criminal-Penalty. of Model Legislation; Add to Commentary:

   The Task Force did not undertake to determine specific numbers of dollars or time for penalties, but is in agreement that the penalties shall be severe enough to act as a deterrent to the prohibited acts.

July 31, 1973

FOREWORD

In response to a number of requests from several states, the U.S. Office of Education, the Department of Defense, the Veterans Administration, accrediting agencies, and other sources for guidance and assistance on how to deal with practices in postsecondary education which could be considered questionable, unethical, or fraudulent, the Education Commission of the States (ECS) agreed to establish a Task Force to consider the problems, including the possibility of developing model state legislation. The work of the Task Force was supported in part by a grant from the Federal Interagency Committee on Education--U.S. Office of Education, the Veterans Administration, and the Department of Defense.

The Task Force on Model State Legislation for Approval of Postsecondary Educational Institutions and Authorization to Grant Degrees drew its membership from representatives of the Education Commission of the States, state government, state agencies concerned with different aspects of postsecondary education and its regulation, the Office of Education, major accrediting agencies, postsecondary educational institutions (including complex institutions), and proprietary education. A list of the Task Force members is attached.

I believe, especially with key interests represented on the Task Force, that all the major issues were discussed fully. The model legislation was developed from those deliberations. Noted in the commentary and in the model legislation is the possibility for alternatives. Because of the unique circumstances and traditions among the states, the Task

Force recognizes that variations from its model legislation may--and, in fact, should--occur. The issue of which agency of state government should administer the provisions of the Act is illustrative. Many would argue for using an existing agency, such as the coordinating or governing board for higher education and postsecondary education in a state or, in some cases, the board of education. Others would argue for the creation of a special commission that for the purposes of the Act would have jurisdiction in relation to all postsecondary educational institutions.

Therefore, recognizing that the function of model legislation is to serve as a guide that may be modified to meet the particular needs of individual states, I am pleased to present this report, including the proposed model legislation and commentary, on behalf of the Task Force and the Education Commission of the States.

The Honorable Tom Jensen
Tennessee State Representative
and House Minority Leader
Task Force Chairman

TASK FORCE ON MODEL STATE LEGISLATION FOR APPROVAL OF POSTSECONDARY EDUCATIONAL INSTITUTIONS AND AUTHORIZATION TO GRANT DEGREES

Chairman

The Honorable Tom Jensen*
State Representative and Minority Leader
Tennessee House of Representatives
208 War Memorial Building
Nashville, Tennessee 37219
(615) 741-3947

Members

Dr. Philip F. Ashler
Executive Vice Chancellor
Florida Board of Regents
State University System of Florida
107 West Gaines Street
Tallahassee, Florida 32304
(904) 488-4731

Dr. Frank G. Dickey
Executive Director
National Commission on Accrediting
One Dupont Circle, Suite 760
Washington, D.C. 20036
(202) 296-4196

Mr. William Goddard
Executive Director
National Association of Trade and Technical Schools
2021 L Street, N.W.
Washington, D.C. 20036
(202) 296-8892

Mr. Kenneth Hatanpa
State Supervisor
Private Vocational Schools
Minnesota Department of Education
Capitol Square
550 Cedar Street
St. Paul, Minnesota 55101
(612) 296-3316

Dr. T. Edward Hollander
Deputy Commissioner of Higher Education
Board of Regents, University of the State of New York
State Education Department
Albany, New York 12224
(518) 474-5851

Dr. James Kessler
Commissioner for Higher Education
Commission on Higher Education
215 North Senate Avenue
Indianapolis, Indiana 46204
(317) 633-6474

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*Representative Jensen is Vice Chairman of the Natural Resources Subcommittee of the Intergovernmental Relations Committee of the National Legislative Conference.

Members--Continued

Dr. Robert Kirkwood
Executive Director
Federation of Regional Accrediting
Commissions of Higher Education
One Dupont Circle, N.W.
Suite 770
Washington, D.C. 20036
(202) 872-1197

Dr. N. Edd Miller
President
University of Nevada
Reno, Nevada 89507
(702) 784-6908

Dr. John R. Proffitt
Director
Accreditation and Institutional
Eligibility Staff
Bureau of Higher Education
U.S. Office of Education
7th and D Streets, S.W.
Washington, D.C. 20202
(202) 962-1054

Consultant Members

Dr. John Leslie
Director
Division of Special Occupational
Services
University of the State of
New York
State Education Department
Albany, New York 12224
(518) 474-8648

Mr. Morris "Bob" Nooner
Acting Director
Education and Rehabilitation
Services
Veterans Administration
810 Vermont Avenue
Washington, D.C. 20420
(202) 393-4120

Dr. Bernard Michael
Executive Director
Federal Interagency Committee
on Education
400 Maryland Avenue, S.W.
Room 2049
Washington, D.C. 20202
(202) 962-4912

Legal Counsels

Mr. Robert L. Frye
Isaacson, Rosenbaum, Goldberg
and Miller
1700 Broadway, Suite 1518
Denver, Colorado 80202
(303) 893-5656

Mr. Bernard H. Ehrlich
Attorney at Law
919 Eighteenth Street, N.W.
Washington, D.C. 20006
(202) 296-5848

TASK FORCE ON MODEL STATE LEGISLATION FOR APPROVAL OF POSTSECONDARY EDUCATIONAL INSTITUTIONS AND AUTHORIZATION TO GRANT DEGREES

Introduction

Access to postsecondary educational opportunity for all Americans received renewed emphasis at the national level with the passage of the Education Amendments of 1972. Postsecondary education in the United States is varied and diverse in terms of institutions, programs, and courses of study available. The Education Amendments of 1972 permit even greater variety and diversity by encouraging expanded recognition of the institutions and programs that may be considered viable and acceptable at the post-high school level.

As in the past, variety and diversity continue to contribute to the vitality of postsecondary education. Its general availability to virtually all Americans also steadily increases, and this should continue. However, while vitality and availability flourish, there is the danger that questionable, unethical, or fraudulent practices may exploit the manner in which postsecondary education is offered and conducted.

Prior to 1972, the United States Office of Education reported that approximately 2,700 postsecondary institutions were accredited by agencies recognized for this purpose by the Office of Education. In addition, there were about 300 unaccredited colleges and universities in the United States. Of the 300, it was estimated that about 110 could be considered "diploma mills," essentially providing no training or education, but selling degrees for a price. The other 190 may not have satisfied the standards for accreditation but were making honest efforts to meet the required standards.

With the inclusion in the 1972 Amendments of much less restrictive criteria for qualifying for federal funds, an expanded recognition of viable and acceptable postsecondary programs and institutions was encouraged. Thus, rather than 3,000 colleges and universities, current estimates suggest a total of approximately 14,000 institutions and programs comprising the range of postsecondary institutions, including traditional higher educational institutions, postsecondary vocational and technical institutions, and other private and proprietary schools. Accordingly, while the actual number of institutions and programs with questionable, unethical, or fraudulent practices may be small, the leeway for such practices may be greater, and estimates suggest that unsuspecting consumers may be fleeced of several million dollars each year.

Since the legal responsibility for authorizing the existence and continuation of postsecondary educational institutions, programs, and courses of study rests fundamentally with the states, it follows that a logical step for controlling questionable, unethical, or fraudulent practices would be enactment of statutes or amendments of existing state laws for this purpose on certain guidelines or models.

BEST COPY AVAILABLE

Accordingly, the Education Commission of the States (ECS) Task Force on Model State Legislation for Approval of Postsecondary Educational Institutions and Authorization to Grant Degrees offers the following model for state legislation.

MODEL LEGISLATION

Re: Approval of Postsecondary Educational
Institutions and Authorization to Grant Degrees

Text

AN ACT

relating to postsecondary educational institutions, [designating the __________] (an appropriate state education agency) [creating a Commission on Postsecondary Institutional Authorization] and vesting the same with the power to authorize and regulate postsecondary educational institutions and agents thereof in the [State] [Commonwealth] of __________; assigning powers and duties to such agency; regulating the granting of academic degrees and the naming of educational institutions; providing for the preservation of academic records; and for other purposes.

BE IT ENACTED by the Legislature of the [State] [Commonwealth] of __________.

Section 1. Short Title. This Act may be cited as the Postsecondary Educational Authorization Act of 19__.

Section 2. Purposes. It is the purpose of this Act to provide for the protection, education, and welfare of the citizens of the [State] [Commonwealth] of __________, its postsecondary educational institutions, and its students, by:

Commentary

Purposes. Section 2 sets forth the Act's purposes related to protecting citizens, students, and institutions against questionable, unethical, and fraudulent practices (including such practices by institutions referred to as

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(a) establishing minimum standards concerning quality of education, ethical and business practices, health and safety, and fiscal responsibility, to protect against substandard, transient, unethical, deceptive, or fraudulent institutions and practices;

(b) prohibiting the granting of false or misleading educational credentials;

(c) regulating the use of academic terminology in naming or otherwise designating educational institutions;

(d) prohibiting misleading literature, advertising, solicitation, or representation by educational institutions or their agents;

(e) providing for the preservation of essential academic records; and

(f) providing certain rights and remedies to the consuming public and the [Agency] [Commission] necessary to effectuate the purposes of this Act.

Section 3. Definitions. As used in this Act:

(a) "Postsecondary educational institution" includes, but is not limited to, an academic, vocational, technical, home study, business, professional, or other school, college, or university, or other organization or person, offering

Commentary

"degree mills") through the state's regulatory powers.

Definitions. The critical definition in Section 3 is "postsecondary educational institution." Here the Task Force, in cooperation with the Federal Interagency Committee on Education and the U.S. Office of Education, attempted to develop a sufficiently broad definition to include all operations and programs available to

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educational credentials, or offering instruction or educational services (primarily to persons who have completed or terminated their secondary education or who are beyond the age of compulsory high school attendance) for attainment of educational, professional, or vocational objectives.

(b) "To operate" an educational institution, or like term, means to establish, keep, or maintain any facility or location in this [State] [Commonwealth] where, from, or through which, education is offered or given, or educational credentials are offered or granted, and includes contracting with any person, group, or entity to perform any such act.

(c) "Authorization to operate" or like term means approval of the [Agency] [Commission] to operate or to contract to operate a postsecondary educational institution in this [State] [Commonwealth].

(d) "To offer" includes, in addition to its usual meanings, advertising, publicizing, soliciting, or encouraging any person, directly or indirectly, in any form, to perform the act described.

(e) "To grant" includes awarding, selling, conferring, bestowing, or giving.

Commentary

persons of post-high school age. The Task Force chose a broad definition with specific exemptions, rather than a narrow or restrictive definition, to avoid creating loopholes inadvertently.

A broad definition for the representative of a postsecondary educational institution also was recognized as critical. Accordingly, "agent" refers to anyone who receives compensation from an institution and who, on behalf of the institution, attempts to encourage people to attend, enroll, or receive educational credentials from his institution or program.

Text

Commentary

(f) "Education" or "educational services" or like term includes, but is not limited to, any class, course, or program of training, instruction, or study.

(g) "Agent" means any person owning any interest in, employed by, or representing for remuneration, a postsecondary educational institution within or outside this [State] [Commonwealth], who, by solicitation in any form made in this [State] [Commonwealth], enrolls or seeks to enroll a resident of this [State] [Commonwealth] for education offered by such institution, or offers to award educational credentials, for remuneration, on behalf of any such institution, or who holds himself out to residents of this [State] [Commonwealth] as representing a postsecondary educational institution for any such purpose.

(h) "Agent's permit" means a nontransferable written authorization issued to a natural person by the [Agency] [Commission] which allows that person to solicit or enroll any resident of this [State] [Commonwealth] for education in a postsecondary educational institution.

(i) "Educational credentials" means degrees, diplomas, certificates, transcripts, reports,

Text

documents, or letters of designation, marks, appellations, series of letters, numbers, or words which signify, purport, or are generally taken to signify enrollment, attendance, progress, or satisfactory completion of the requirements or prerequisites for education at a postsecondary educational institution.

(j) "Entity" includes, but is not limited to, any company, firm, society, association, partnership, corporation, and trust.

(k) Alternative One. ["Agency" means the __________.] (An appropriate state education agency.)

(k) Alternative Two. ["Commission" means the Commission on Postsecondary Institutional Authorization.]

Section 4. Exemptions. The following education and educational institutions are exempted from the provisions of this Act:

(a) Institutions exclusively offering instruction at any or all levels from pre-school through the twelfth grade.

(b) Education sponsored by a bona fide trade, business, professional, or fraternal organization, so recognized by the [Agency] [Commission], solely for that organization's

Commentary

Exemptions. While the Act is designed to encompass virtually all of postsecondary education, certain programs are exempted, since the Task Force felt that the possibility of their violating consumer protection would be remote.

Section 4 suggests alternatives for exempting public postsecondary educational institutions. Alternative One would exempt all public institutions. Alternative Two would exempt the same

Text

membership, or offered on a no-fee basis.

(c) Education solely avocational or recreational in nature, as determined by the [Agency] [Commission], and institutions offering such education exclusively.

(d) Education offered by eleemosynary institutions, organizations, or agencies, so recognized by the [Agency] [Commission], provided such education is not advertised or promoted as leading toward educational credentials.

(e) Alternative One. [Postsecondary educational institutions established, operated, and governed by this [State] [Commonwealth] or its political subdivisions, as determined by the [Agency] [Commission].]

(e) Alternative Two. [Postsecondary educational institutions established, operated, and governed by this [State] [Commonwealth] or its political subdivisions; provided, however, such institutions meet minimum standards accepted by the [Agency] [Commission] for authorizing all other postsecondary educational institutions of like kind or character.]

Section 5. [_________ Agency.] [Commission on Postsecondary Institutional Authorization.]

Commentary

institutions, but with the condition that they satisfy at lea[illegible] the minimum st[illegible] applicable to th[illegible] non-exempt institutions, as established and enforced by the state agency or commission.

[_________ Agency] [Commission on Postsecondary Institutional Authorization]. Section 5 suggests alternatives for

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(1) Alternative One. [Designation. [__________] (an appropriate state education agency) shall administer the provisions of this Act, in addition to its duties presently provided by law; and for the purposes thereof, the [Agency] may hire such personnel as may be necessary, subject to the availability of appropriations. To effectuate the purposes of this Act, the [Agency] may request from any department, division, board, bureau, commission, or other agency of the state, and the same shall provide, such information as will enable the [Agency] to exercise properly its powers and perform its duties hereunder.]

(1) Alternative Two. [Establishment. There is hereby established [The Commission on Postsecondary Institutional Authorization] which shall administer the provisions of this Act, within and subject to the jurisdiction of the __________. The [Commission] may hire such personnel as may be necessary, subject to the availability of appropriations. To effectuate the purposes of this Act, the director may request from any department, division, board, bureau, commission, or other agency of the state, and the same shall provide, such information as will enable the director to exercise properly his powers and perform his duties

Commentary

placing authority in the state government and sets forth the powers and duties of the agency or commission.

The Task Force felt that it would be inappropriate to suggest to the state where governmental authority should be placed for carrying out the provisions of the Act. The designation of an existing agency or commission in the state, or the establishment of a new agency, would depend upon circumstances within the particular state--statutes, constitutional constraints, accepted practice, and political realities.

If an existing agency is designated under Section 5, it should have the capability and experience for using regulatory powers. It should also have an understanding and empathy for the institutions to be regulated. Further, if it is not currently representative of the constituent institutions to be regulated, it should develop an appropriate advisory structure with such representation.

On the other hand, if a new commission is formed, the Act needs to be further expanded to specify methods of selection or appointment of the commission's members, terms of office, provisions for removing members and filling vacancies, and provisions for staff and their functions. These

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hereunder.] (See commentary regarding structure of commission and related problems.)

(2) Powers and Duties. The [Agency shall have, in addition to the powers and duties now vested therein by law,] [Commission shall have] the following powers and duties:

(a) To establish minimum criteria in conformity with Section 6 of this Act, including quality of education, ethical and business practices, health and safety and fiscal responsibility, which applicants for authorization to operate, or for an agent's permit, shall meet before such authorization or permit may be issued, and to continue such authorization or permit in effect. The criteria to be developed hereunder shall be such as will effectuate the purposes of this Act, but will not unreasonably hinder legitimate educational innovation.

(b) To receive, investigate as it may deem necessary, and act upon applications for authorization to operate postsecondary educational institutions and applications for agent's permits.

(c) To maintain a list of postsecondary educational institutions and agents authorized to operate in this [State] [Commonwealth] under the provisions of this Act. Said list shall be available for the information of the public.

Commentary

stipulations would be cited in Section 5, Establishment. The commission should have fair and equitable representation of the various components of postsecondary education and of the public.

Powers and Duties. This part of Section 5 offers specific suggestions concerning the responsibilities that would be given to the agency or commission. Although certain cited powers and duties are self-explanatory, some need comment. For paragraph (a), minimum standards, explanation is offered in Section 6.

Paragraph (d) encourages reciprocity agreements among the states. For example, in some states informal exchanges currently take place in regard to background information on an institution or an agent just starting to do business in a particular state. Some states have adopted formal statements of mutual cooperation in sharing information. The Task Force recommends and encourages these mutual efforts, but cautions that such formal agreement cannot relieve the agency or commission of its authority and responsibility as provided for in the Act, and the state must retain the right to conduct independent inquiry and take independent action where desirable or necessary.

Text

(d) To negotiate and enter into interstate reciprocity agreements with similar agencies in other states, if in the judgment of the [Agency] [Commission] such agreements are or will be helpful in effectuating the purposes of this Act; provided, however, that nothing contained in any such reciprocity agreement shall be construed as limiting the [Agency's] [Commission's] powers, duties, and responsibilities with respect to independently investigating or acting upon any application for authorization to operate or any application for renewal of such authorization to operate for a postsecondary educational institution, or an application for issuance of or renewal of any agent's permit, or with respect to the enforcement of any provision of this Act, or any of the rules or regulations promulgated hereunder.

(e) To receive and cause to be maintained as a permanent file; copies of academic records in conformity with Section 17 of this Act.

(f) To promulgate rules, regulations, and procedures necessary or appropriate for the conduct of its work and the implementation of this Act, which rules and regulations shall have the force of law; and to hold such hearings as it may deem advisable or as required by law in developing such rules, regulations, and procedures, or in aid

Commentary

Paragraph (e) provides for the preservation of academic records of institutions that cease to exist. To prevent the loss of such records, the agency or commission would have the authority and responsibility for causing the records to be maintained and could legally seize such records if, in its reasonable judgment, that appeared necessary. (See Section 17.)

Text

of any investigation or inquiry.

(g) To investigate as it may deem necessary, on its own initiative or in response to any complaint lodged with it, any person, group, or entity subject to, or reasonably believed by the [Agency] [Commission] to be subject to, the jurisdiction of this Act; and in connection therewith to subpoena any persons, books, records, or documents pertaining to such investigation, which subpoenas shall be enforceable by any court of this [State] [Commonwealth]; to require answers in writing under oath to questions propounded by the [Agency] [Commission] and to administer an oath or affirmation to any person in connection with any investigation.

(h) To exercise other powers and duties implied but not enumerated in this Section but in conformity with the provisions of this Act which, in the judgment of the [Agency] [Commission], are determined necessary in order to carry out the provisions of this Act.

Section 6. Minimum Standards.

(1) In establishing the criteria required by Section 5 of this Act, the [Agency] [Commission] shall observe and shall require compliance with the following minimum standards:

Commentary

Minimum Standards. *Section 6 sets forth minimum standards that must be included in the criteria developed by the agency or commission for determining whether an institution may operate within the state. Essentially, these criteria*

Text

(a) A postsecondary educational institution must be maintained and operated, or, in the case of a new institution, it must demonstrate that it can be maintained and operated, in compliance with the following minimum standards:

(i) That the quality and content of each course or program of instruction, training, or study are such as may reasonably and adequately achieve the stated objective for which the course or program is offered.

(ii) That the institution has adequate space, equipment, instructional materials, and personnel to provide education of good quality.

(iii) That the education and experience qualifications of directors, administrators, supervisors, and instructors are such as may reasonably insure that the students will receive education consistent with the objectives of the course or program of study.

(iv) That the institution provides students and other interested persons with a catalog or brochure containing information describing the programs offered, program objectives, length of program, schedule of tuition, fees, and all other charges and expenses necessary for completion of the course of study, cancellation and refund policies, and such other material facts concerning

Commentary

include consideration of the institution's ability to enable students to reach its educational objectives and assurance that it has the means of doing so. They also encompass adequate, fair, and accurate information for prospective students in regard to the objectives, costs, and conditions involved. The Act requires not only truth in advertising, but also disclosure of relevant information.

Paragraphs (i) through (vi) of Part (1)(a) relate specifically to objectives, facilities, qualifications of staff, information, credentials, and records.

Paragraphs (vii), (viii) and (xi) deal with the minimum standards for the physical and fiscal conditions of the institution, including protection of the consumer in terms of health, safety, and fiscal responsibility.

Paragraph (iv) establishes the minimum informational disclosure items that should be available about the institution or educational program and should be read in conjunction with paragraph (ix), relating to disclosure practices which are false, deceptive, misleading, or unfair.

Part (1)(b) sets forth the conditions to be satisfied by any applicant for an agent's permit,

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the institution and the program or course of instruction as are reasonably likely to affect the decision of the student to enroll therein, together with any other disclosures specified by the [Agency] [Commission] and/or defined in the rules and regulations; and that such information is provided to prospective students prior to enrollment.

(v) That upon satisfactory completion of training, the student is given appropriate educational credentials by said institution, indicating that said course or courses of instruction or study have been satisfactorily completed by said student.

(vi) That adequate records are maintained by the institution to show attendance, progress, or grades, and that satisfactory standards are enforced relating to attendance, progress, and performance.

(vii) That the institution is maintained and operated in compliance with all pertinent ordinances and laws, including rules and regulations adopted pursuant thereto, relative to the safety and health of all persons upon the premises.

(viii) That the institution is financially sound and capable of fulfilling its commitments

Commentary

and specifies that among these conditions is that the institution he represents must satisfy the minimum standards as proposed in the Act or set forth by this agency. Accordingly, any person receiving an agent's permit, as defined in Section 9, would be representing an institution or program conforming to at least the minimum standards established in the Act and enforceable by the agency or commission.

Part (2) permits the agency or commission to accept accreditation of an institution by an accrediting agency approved by the U.S. Commissioner of Education as evidence of the institution's conformance to the minimum standards set forth in the Act or by the agency. However, the use of such accredited status is permissive, not mandatory, and the state agency may require additional evidence or may undertake its own investigation if it so desires or the circumstances warrant. While the Task Force sanctions the use of accreditation status as possible evidence of compliance with statutory minimum standards, it does not intend that the agency or commission abrogate its statutory responsibility through substitution of accreditation for independent review and action.

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to students.

(ix) That neither the institution nor its agents engage in advertising, sales, collection, credit, or other practices of any type which are false, deceptive, misleading, or unfair.

(x) That the chief executive officer, trustees, directors, owners, administrators, supervisors, staff, and instructors are of good reputation and character.

(xi) That the student housing owned, maintained, or approved by the institution, if any, is appropriate, safe, and adequate.

(xii) That the institution has a fair and equitable cancellation and refund policy.

(b) An applicant for an agent's permit shall be an individual of good reputation and character and shall represent only a postsecondary educational institution or institutions which meet the minimum standards established in this Section 6 and the criteria established under Section 5 of this Act.

(2) Accreditation by national or regional accrediting agencies recognized by the United States Office of Education may be accepted by the [Agency] [Commission] as evidence of compliance with the minimum standards established hereunder and the criteria to be established

Text

under Section 5 of this Act; provided, the [Agency] [Commission] may require such further evidence and make such further investigation as in its judgment may be necessary. Accreditation by a recognized, specialized accrediting agency may be accepted as evidence of such compliance only as to the portion or program of an institution accredited by such agency if the institution as a whole is not accredited.

Section 7. Prohibition. No person, agent, group, or entity of whatever kind, alone or in concert with others, shall:

(a) Operate in this [State] [Commonwealth] a postsecondary educational institution not exempted from the provisions of this Act, unless said institution has a currently valid authorization to operate issued pursuant to the provisions of this Act.

(b) Offer, as or through an agent, enrollment or instruction in, or the granting of educational credentials from, a postsecondary educational institution not exempted from the provisions of this Act, whether such institution is within or outside this [State] [Commonwealth], unless such agent is a natural person and has a currently valid agent's permit issued pursuant to the provisions of this Act, nor accept contracts

Commentary

Prohibition. Section 7 cites practices by institutions or their agents that are specifically prohibited by the Act. A resident institution cannot operate within the state without authorization to do so, nor may an agent without a permit operate within the state, whether representing an out-of-state or resident institution. Neither an institution nor its agent may operate or solicit in the state unless the institution meets the minimum standards set forth in the Act. Thus, although out-of-state institutions are not required prior to soliciting in a state to apply for an "authorization to operate," when they do solicit, they immediately become subject to the jurisdiction of the courts within that state, and may be enjoined if they fail to meet the minimum standards required under the Act.

Text

Commentary

or enrollment applications from an agent who does not have a current permit as required by this Act; provided, however, that the [Agency] [Commission] may promulgate rules and regulations to permit the rendering of legitimate public information services without such permit.

(c) Instruct or educate, or offer to instruct or educate, including advertising or soliciting for such purpose, enroll or offer to enroll, contract or offer to contract with any person for such purpose, or award any educational credential, or contract with any institution or party to perform any such act, in this [State] [Commonwealth], whether such person, agent, group, or entity is located within or without this [State] [Commonwealth], unless such person, agent, group, or entity observes and is in compliance with the minimum standards set forth in Section 6 (1) of this Act, the criteria established by the [Agency] [Commission] pursuant to Section 5 (2)(a) hereof, and the rules and regulations adopted by the [Agency] [Commission] pursuant to Section 5 (2)(f) hereof.

(d) Use the term "university" or "college" without authorization to do so from the [Agency] [Commission].

Text

(e) Grant, or offer to grant, educational credentials, without authorization to do so from the [Agency] [Commission].

Section 8. Authorization to Operate.

(1) Each postsecondary educational institution desiring to operate in this [State] [Commonwealth] shall make application to the [Agency] [Commission], upon forms to be provided by the [Agency] [Commission]. Said application shall be accompanied by a catalog or brochure published, or proposed to be published by the institution, containing the information specified in Section 6 (1)(a)(iv) of this Act, including information required by rules and regulations of the [Agency] [Commission]. Said application shall also be accompanied by evidence of a surety bond as required by this Act, and payment of the fees specified herein.

(2) Following review of such application and any further information submitted by the applicant, or required by the [Agency] [Commission], and such investigation of the applicant as the [Agency] [Commission] may deem necessary or appropriate, the [Agency] [Commission] shall either grant or deny authorization to operate to the applicant. A grant of authorization to operate may be on such terms and conditions as the [Agency] [Commission] may specify.

Commentary

Authorization to Operate. Agent's Permit. Sections 8 and 9 develop the procedures and conditions for obtaining or renewing the institution's authorization to operate and the agent's permit.

Text

Commentary

(3) The authorization to operate shall be in a form recommended and approved by the [Agency] [Commission] and shall state in clear and conspicuous manner at least the following information:

(a) The date of issuance, effective date, and term of approval.

(b) The correct name and address of the institution so authorized.

(c) The authority for approval and conditions thereof.

(d) Any limitation of the authorization, as deemed necessary by the [Agency] [Commission].

(4) The term for which authorization is given shall not extend for more than [one] [two] years, and may be issued for a lesser period of time.

(5) The authorization to operate shall be issued to the owner, or governing body, of the applicant institution, and shall be nontransferable. In the event of a change in ownership of the institution, a new owner, or governing body, must, within ten (10) days after the change in ownership, apply for a new authorization to operate, and in the event of failure to do so, the institution's authorization to operate shall terminate. Application for a new authorization

Text

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to operate by reason of change in ownership of the institution shall for purposes of Section 10 (2) of this Act, be deemed an application for renewal of the institution's authorization to operate. "Ownership" for purposes of this section shall be deemed to mean ownership of a controlling interest in the institution, or in the event the institution is owned or controlled by a corporation or other legal entity other than a natural person or persons, ownership of a controlling interest in the legal entity owning or controlling such institution.

(6) At least sixty (60) days prior to the expiration of an authorization to operate, the institution shall complete and file with the [Agency] [Commission] an application form for renewal of its authorization to operate. Said renewal application shall be reviewed and acted upon as provided hereinabove.

(7) An institution not yet in operation when its application for authorization to operate is filed may not begin operation until receipt of authorization. An institution in operation when its application for authorization to operate is filed may continue operation until its application is acted upon by the [Agency] [Commission], and thereupon its authority to operate shall be

Text

governed by the action of the [Agency] [Commission]. In any event, the [Agency] [Commission] may issue provisional authorization to operate, containing such limitations as to time, procedures, functions, or other conditions as the [Agency] [Commission] may deem necessary.

Section 9. Agent's Permit.

(1) Each person desiring to solicit or perform the services of an agent, as herein defined, in this [State] [Commonwealth], shall make application to the [Agency] [Commission], upon forms to be provided by said [Agency] [Commission]. Said application shall be accompanied by evidence of the good reputation and character of the applicant, in a form to be prescribed by the [Agency] [Commission], and shall state the institution or institutions which the applicant intends to represent. An agent representing more than one institution must obtain a separate agent's permit for each institution represented; provided, that when an agent represents institutions having a common ownership, only one agent's permit shall be required with respect to said institutions. In the event any institution which the applicant intends to represent does not have authorization to operate in this [State]

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[Commonwealth], said application shall be accompanied by the information required of institutions making application for such authorization. Said application for an agent's permit shall also be accompanied by evidence of a surety bond as required by this Act, and payment of the fees specified herein.

(2) Following review of such application and any further information submitted by the applicant, or required by the [Agency] [Commission], and such investigation of the applicant as the [Agency] [Commission] may deem necessary or appropriate, the [Agency] [Commission] shall either grant or deny an agent's permit to the applicant.

(3) The agent's permit shall be in a form recommended and approved by the [Agency] [Commission] and shall state in a clear and conspicuous manner at least the following information:

(a) The date of issuance, effective date, and term.

(b) The correct name and address of the agent.

(c) The institution or institutions which such agent is authorized to represent.

(4) The term for which an agent's permit is issued shall not extend for more than [one] [two]

Text

years, and may be issued for a lesser period of time.

(5) At least sixty (60) days prior to the expiration of an agent's permit, the agent shall complete and file with the [Agency] [Commission] an application form for renewal of said permit. Said renewal application shall be reviewed and acted upon as provided hereinabove.

Section 10. Denial of Authorization to Operate or Agent's Permit.

(1) If the [Agency] [Commission], upon review and consideration of an application for authorization to operate, or for an agent's permit, or for renewal thereof, shall determine that the applicant fails to meet the criteria established as provided in this Act, the [Agency] [Commission] shall so notify the applicant, setting forth the reasons therefor in writing, and shall deny the application.

(2) The [Agency] [Commission] may grant to an applicant for renewal an extension of time of reasonable duration in which the applicant may eliminate the reason or reasons for denial contained in the statement of denial, if the applicant has demonstrated to the satisfaction of the [Agency] [Commission] its or his desire to meet

Commentary

Denial of Authorization to Operate or Agent's Permit. [Agency] [Commission] Review. Revocation of Authorization to Operate or Agent's Permit. Sections 10, 11, and 12 are designed to establish safeguards and due-process requirements in connection with applications for authorization to operate, agent's permits, and renewals thereof.

Text

the requirements of Section 6 of this Act and the criteria established pursuant to Section 5 of this Act, and if in the judgment of the [Agency] [Commission], it would be reasonably possible for the applicant to meet said requirements and criteria within such time.

(3) In the event the [Agency] [Commission] denies an application for an agent's permit, or for renewal thereof, it shall notify the institution or institutions which said agent represented or proposed to represent, according to the records of the [Agency] [Commission], including the reasons therefor.

Section 11. [Agency] [Commission] Review. Any person aggrieved by a decision of the [Agency] [Commission] respecting denial of an authorization to operate, or of an agent's permit, or the placing of conditions thereon, whether on initial application or on application for renewal, and any person aggrieved by the imposition of a penalty by the [Agency] [Commission] under Section 19 of this Act, shall have the right to a hearing and review of such decision by the [Agency] [Commission] as provided herein.

(a) If, upon written notification of any such action taken by the [Agency] [Commission], the aggrieved party desires a hearing and review,

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such party shall notify the [Agency] [Commission], in writing, within ten (10) days after the giving of notice of such action, otherwise said action shall be deemed final.

(b) Upon receiving such notice from the aggrieved party, the [Agency] [Commission] shall fix the time and place for a hearing, and shall notify the aggrieved party thereof.

(c) At such hearing, the party may employ counsel, shall have the right to hear the evidence upon which the action is based, and present evidence in opposition or in extenuation. The hearing shall be conducted in accordance with the [Administrative Code of this [State] [Commonwealth]] [Rules of Civil Procedure of this [State] [Commonwealth]]. Any member of the [Agency] [Commission] may preside except where a clear conflict of interest may be demonstrated.

(d) A decision of the [Agency] [Commission] following hearing, or on expiration of the time for demand of a hearing if no such demand is filed, shall be deemed final, subject to the right of judicial review provided hereinafter. All matters presented by hearing as provided herein shall be acted upon promptly by the [Agency] [Commission], and the [Agency] [Commission] shall notify all parties in writing of its decision,

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which shall include a statement of findings and conclusions upon all material issues of fact, law, or discretion presented at the hearing, and the appropriate rule, order, sanction, relief, or denial thereof.

Section 12. Revocation of Authorization to Operate or Agent's Permit.

(1) An authorization to operate or an agent's permit may be revoked or made conditional after its issuance if the [Agency] [Commission] has reasonable cause to believe that the holder of said authorization or permit has violated or is violating this Act or any rules and regulations promulgated hereunder. Prior to such revocation or imposition of condition, the [Agency] [Commission] shall notify the holder of the authorization or permit in writing of the impending action, setting forth the grounds for the action contemplated to be taken and advising the holder of a permit that if a hearing is requested, in writing, within ten (10) days of receipt of said notice, the [Agency] [Commission] shall set a time and place for a hearing at which the holder of the authorization or permit may be heard in response to the allegation of non-compliance with the provisions of this Act.

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(2) If a hearing is requested as aforesaid, such hearing shall be conducted as provided in Section 11(c) of this Act, and the holder of the authorization or permit shall have the rights set forth therein. The decision of the [Agency] [Commission] shall be made as provided in Section 11(d) of this Act, and shall be deemed final, subject to the right of judicial review provided hereinafter. In the event an agent's permit is revoked or condition imposed thereon, the [Agency] [Commission] shall notify the institution or institutions which said agent was permitted to represent, as shown in the records of the [Agency] [Commission], in addition to the notice required to be given to the agent and any other parties to the hearing.

Section 13. Complaints of Violations.

(1) Any person claiming damage or loss as a result of any act or practice by a postsecondary educational institution or its agent, or both, which is a violation of this Act or of the rules and regulations promulgated hereunder, may file with the [Agency] [Commission] a verified complaint against such institution or against its agent or both. The complaint shall set forth the alleged violation and shall contain such other information as may be required by the [Agency] [Commission].

Commentary

Complaints of Violations. Section 13 provides that people who believe that they have been victimized by postsecondary institutions or agents may have a place to go to file a complaint--and that if relief or restitution for loss or damage caused by the acts complained of is justified, in the judgment of the agency or commission, it can award the person such relief. Also, based on the complaint, the agency or commission may initiate an investigation into the activities of the institution or agent. If it finds such complaint

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A complaint may also be filed by [Director of Agency] [Commissioner] or the Attorney General with the [Agency] [Commission]. A complainant may also file with the [Agency] [Commission] as a representative of a class of complainants.

(2) The [Agency] [Commission] shall investigate any such complaint and may, at its discretion, attempt to effectuate a settlement by persuasion and conciliation. The [Agency] [Commission] may consider a complaint after ten (10) days written notice by registered mail, return receipt requested, to such institution or to such agent, or both, as appropriate, giving notice of a time and place for hearing thereon. Such hearing shall be conducted in accordance with the [Administrative Code of this [State] [Commonwealth]] [Rules of Civil Procedure of this [State] [Commonwealth]].

(3) If, upon all the evidence at a hearing, the [Agency] [Commission] shall find that a post-secondary educational institution or its agent, or both, has engaged in or is engaging in, any act or practice which violates this Act or the rules and regulations promulgated hereunder, the [Agency] [Commission] shall issue and cause to be served upon such institution or agent or both, an order requiring such institution or agent or both to cease and desist from such act or practice.

Commentary

justified, it may order the act or practice to cease, impose penalties on the institution or the agent, or revoke an institution's authorization to operate or an agent's permit.

Text

Additionally, if the [Agency] [Commission] shall find that the complainant, or class of complainants, has suffered loss or damage as a result of such act or practice, the [Agency] [Commission] may, at its discretion, award the complainant, or class of complainants, full or partial restitution for such damage or loss and may impose the penalties provided for in Section 19 hereof. The [Agency] [Commission] may also, as appropriate, based on its own investigation and/or the evidence adduced at such hearing, commence an action to revoke an institution's authorization to operate or an agent's permit.

Section 14. Judicial Review. Any person aggrieved or adversely affected by any final [Agency] [Commission] action, or by any penalty imposed by the [Agency] [Commission], may obtain judicial review of such action as provided in this section.

(a) An action for judicial review may be commenced in any court of competent jurisdiction in accordance with the [Rules of Civil Procedure] within thirty (30) days after such [Agency] [Commission] action becomes effective.

(b) Upon a finding that irreparable injury would otherwise result, the [Agency] [Commission],

Commentary

Judicial Review. Section 14 elaborates on due process for the institutions and agents, as well as for student consumers, by providing court review of agency or commission action.

upon application therefor, shall postpone the effective date of its action pending judicial review, or the reviewing court, upon application therefor, and upon such terms and upon such security, if any, as the court shall find necessary, shall issue appropriate process to postpone the effective date of the [Agency's] [Commission's] action or to preserve the rights of the parties pending conclusion of the review proceedings.

(c) The record on review, unless otherwise stipulated by the parties, shall include the original or certified copies of all pleadings, applications, evidence, exhibits, and other papers presented to or considered by the [Agency] [Commission], and the decision, findings, and action of the [Agency] [Commission]. As to alleged procedural irregularities, evidence may be taken independently by the court.

(d) If the court finds no error, it shall affirm the [Agency's] [Commission's] action. If it finds that such action was arbitrary or capricious, a denial of statutory right, contrary to constitutional right, power, privilege, or immunity, in excess of statutory jurisdiction, authority, purposes, or limitation, not in accord with the procedures or procedural limitations of this Act, or otherwise required by law, an abuse

Text

or clearly unwarranted exercise of discretion, unsupported by substantial evidence when the record is considered as a whole, or otherwise contrary to law, then the court shall hold unlawful and set aside the [Agency] [Commission] action, and afford such relief as may be appropriate.

(e) The decision of the trial court shall be subject to appellate review in the same manner and with the same effect as in appeals from a final judgment or decree in any other civil action.

Section 15. Bonds Required.

(1) At the time application is made for authorization to operate, or for renewal thereof, the [Agency] [Commission] may require the post-secondary educational institution making such application to file with the [Agency] [Commission] a good and sufficient surety bond in such sum as may be determined by the [Agency] [Commission]. Said bond shall be executed by the applicant as principal and by a surety company qualified and authorized to do business in this [State] [Common-wealth]. The bond shall be conditioned to provide indemnification to any student or enrollee or his parent or guardian, or class thereof, determined to have suffered loss or damage as a result of any act or practice which is a violation of this Act by

Commentary

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Text

said postsecondary educational institution, and that the bonding company shall pay any final, non-appealable judgment rendered by the [Agency] [Commission] or any Court of this [State] [Commonwealth] having jurisdiction, upon receipt of written notification thereof. Regardless of the number of years that such bond is in force, the aggregate liability of the surety thereon shall in no event exceed the penal sum of the bond. The bond may be continuous.

(2) An application for an agent's permit shall be accompanied by a good and sufficient surety bond in a penal sum of $__________. Said bond shall be executed by the applicant as principal and by a surety company qualified and authorized to do business in this [State] [Commonwealth]. The bond may be in blanket form to cover more than one agent for a postsecondary educational institution, but it shall cover each agent for said institution in a penal sum of $__________. The bond shall be conditioned to provide indemnification to any student, enrollee, or his or her parents or guardian, or class thereof, determined to have suffered loss or damage as a result of any act or practice which is a violation of this Act by said agent, and that the bonding company shall pay any

Commentary

Text

Commentary

final, non-appealable judgment rendered by the [Agency] [Commission] or any Court of this [State] [Commonwealth] having jurisdiction, upon receipt of written notification thereof. Regardless of the number of years that such bond is in force, the aggregate liability of the surety thereon shall in no event exceed the penal sum thereof. The bond may be continuous.

(3) The surety bond to be filed hereunder shall cover the period of the authorization to operate or the agent's permit, as appropriate, except when a surety shall be released as provided herein. A surety on any bond filed under the provisions of this section may be released therefrom after such surety shall serve written notice thereof to the [Agency] [Commission] __________ days prior to said release; but said release shall not discharge or otherwise affect any claim theretofore or thereafter filed by a student or enrollee or his parent or guardian for loss or damage resulting from any act or practice which is a violation of this Act alleged to have occurred while said bond was in effect, nor for an institution's ceasing operations during the term for which tuition has been paid while said bond was in force.

(4) Authorization for an institution to operate and an agent's permit shall be suspended by

Text

Commentary

operation of law when said institution or agent is no longer covered by a surety bond as required by this section; but the [Agency] [Commission] shall cause said institution or agent, or both, to receive at least thirty (30) days written notice prior to the release of the surety, to the effect that said authorization or permit shall be suspended by operation of law until another surety bond shall be filed in the same manner and like amount as the bond being terminated.

Section 16. Fees. All fees collected pursuant to the provisions of this Act shall be deposited in the [State Treasury] to the credit of the general fund, and no fees collected under the provisions of this Act shall be subject to refund. The fees to be collected by the [Agency] [Commission] hereunder shall accompany an application for authorization to operate or an agent's permit, in accordance with the following schedule:

(a) The initial application fee for post-secondary educational institutions shall be $__________.

(b) The [annual] renewal fee for a post-secondary educational institution shall be $__________.

(c) The initial fee for an agent's permit shall be $__________.

Text

(d) The [annual] renewal fee for an agent's permit shall be $__________.

Section 17. Preservation of Records. In the event any postsecondary educational institution now or hereafter operating in this [State] [Commonwealth] proposes to discontinue its operation, the chief administrative officer, by whatever title designated, of such institution shall cause to be filed with the [Agency] [Commission] the original or legible true copies of all such academic records of such institution as may be specified by the [Agency] [Commission]. Such records shall include, at a minimum, such academic information as is customarily required by colleges when considering students for transfer or advanced study; and, as a separate document, the academic record of each former student. In the event it appears to the [Agency] [Commission] that any such records of an institution discontinuing its operations are in danger of being destroyed, secreted, mislaid, or otherwise made unavailable to the [Agency] [Commission], the [Agency] [Commission] may seize and take possession of such records, on its own motion, and without order of court. The [Agency] [Commission] shall maintain or cause to be maintained a permanent file of such records coming into its possession.

Commentary

Preservation of Records. Section 17 is included in the Act to insure availability of academic records for students who may need them at a later date. The Act authorizes the agency or commission to preserve or cause to be preserved academic records at institutions that cease to exist, as well as to seize such records if they are in danger of being destroyed, secreted, or otherwise made unavailable.

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Text

Section 18. Enforceability of Notes, Contracts, Etc.

(1) If the person to whom educational services are to be rendered or furnished by a post-secondary educational institution is a resident of this [State] [Commonwealth] at the time any contract relating to payment for such services, or any note, instrument, or other evidence of indebtedness relating thereto, is entered into, the provisions of this section shall govern the rights of the parties to such contract or evidence of indebtedness. In such event the following agreements entered into in connection with the contract or the giving of such evidence of indebtedness are invalid:

(a) That the law of another state shall apply;

(b) That the maker or any person liable on such contract or evidence of indebtedness consents to the jurisdiction of another state;

(c) That another person is authorized to confess judgment on such contract or evidence of indebtedness;

(d) That fixes venue.

(2) No note, instrument or other evidence of indebtedness, or contract relating to payment for

Commentary

Enforceability of Notes, Contracts, Etc. Part (1) of Section 18 is designed to end a common practice of unscrupulous out-of-state institutions that may obtain judgments for tuition or other charges in their own courts against students from other states. Under such circumstances, the student is often unable adequately to defend the suit.

Parts (3), (4), and (5) would prevent use of the "holder in due course" doctrine, under which an institution might otherwise use a third party to collect payments from a student for services not yet provided and which may never be provided. These provisions of the Act would permit the student to assert any defenses he might have in a suit to collect the institution's charges.

Text

Commentary

education or educational services shall be enforceable in the courts of this [State] [Commonwealth] by any postsecondary educational institution operating in this [State] [Commonwealth] unless said institution shall have received authorization to operate under the provisions of this Act; nor by any postsecondary educational institution having an agent or agents in this [State] [Commonwealth] unless any and all agents who enrolled or sought to enroll the person to whom such services were to be rendered, or to whom educational credentials were to be granted, had an agent's permit at the time of their contact with such person.

(3) For purposes of this section, "lending agency" shall mean any postsecondary educational institution, or any person, group, or entity controlling, controlled by, or held in common ownership with, such institution, or regularly loaning money to, or to students of, such institution.

(4) Any lending agency extending credit or loaning money to any person for tuition, fees, or any charges whatever of a postsecondary educational institution for educational or other services or facilities to be rendered or furnished by said institution, shall cause any note, instrument, or

Text

other evidence of indebtedness taken in connection with such loan or extension of credit to be conspicuously marked on the face therof, "Student Loan." In the event such lending agency fails to do so, it shall be liable for any loss or damage suffered or incurred by any subsequent assignee, transferee, or holder of such evidence of indebtedness on account of the absence of such notation.

(5) Notwithstanding the presence or absence of such notation, and notwithstanding any agreement to the contrary, the lending agency making such loan or extending such credit, and any transferee, assignee, or holder of such evidence of indebtedness shall be subject to all defenses and claims which could be asserted against the postsecondary educational institution which was to render or furnish such services or facilities, by any party to said evidence of indebtedness or by the person to whom such services or facilities were to be rendered or furnished, up to the amount remaining to be paid thereon.

Section 19. Violations-Civil-Penalty. Any person, group, or entity, or any owner, officer, agent, or employee thereof, who shall violate the provisions of Section 7 of this Act, or who shall fail or refuse to deposit with the [Agency] [Commission] the records required by Section 17 of this

Commentary

Violations-Civil-Penalty/ Violations-Criminal-Penalty. Civil penalties for violations of the Act (Section 19) may be imposed by the agency or commission or by a court, whereas criminal penalties (Section 20) may be imposed only by a court.

Text

Act, shall be subject to a civil penalty not to exceed $__________ for each violation. Each day's failure to comply with the provisions of said sections shall be a separate violation. Such fine may be imposed by the [Agency] [Commission] in an administrative proceeding or by any court of competent jurisdiction.

Section 20. Violations-Criminal-Penalty. Any person, group, or entity, or any owner, officer, agent, or employee thereof, who shall willfully violate the provisions of Section 7 of this Act, or who shall willfully fail or refuse to deposit with the [Agency] [Commission] the records required by Section 17 of this Act, shall be guilty of a misdemeanor and, upon conviction, shall be punished by a fine not to exceed $__________, or by imprisonment in the county jail not to exceed __________ months, or by both such fine and imprisonment. Each day's failure to comply with the provisions of said sections shall be a separate violation. Such criminal sanctions may be imposed by a court of competent jurisdiction in an action brought by the Attorney General of this [State] [Commonwealth] or a District Attorney pursuant to Section 22 hereof.

Section 21. Jurisdiction of Courts; Service of Process. Any postsecondary educational institution not exempt from the provisions of this Act,

Commentary

Jurisdiction of Courts; Service of Process. Section 21 would make postsecondary institutions, wherever located, subject

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Text

whether or not a resident of or having a place of business in this [State] [Commonwealth], which instructs or educates, or offers to instruct or educate, enrolls or offers to enroll, contracts or offers to contract, to provide instructional or educational services in this [State] [Commonwealth], whether such instruction or services are provided in person or by correspondence, to a resident of this [State] [Commonwealth], or which offers to award or awards any educational credentials to a resident of this [State] [Commonwealth], submits such institution, and, if a natural person his personal representative, to the jurisdiction of the courts of this [State] [Commonwealth], concerning any cause of action arising therefrom, and for the purpose of enforcement of this Act by injunction pursuant to Section 22 hereof. Service of process upon any such institution subject to the jurisdiction of the courts of this [State] [Commonwealth] may be made by personally serving the Summons upon the defendant within or outside this [State] [Commonwealth], in the manner prescribed by the [Rules of Civil Procedure] of this [State] [Commonwealth], with the same force and effect as if the Summons had been personally served within this [State] [Commonwealth]. Nothing contained in this section shall limit or affect the right to serve any process

Commentary

to the jurisdiction of the courts of states enacting this proposed legislation, if such institutions provided or solicited to provide education to residents of the enacting state. The section has two main purposes: (1) To enable an individual dealing with the institution to bring suit in his own state, rather than having to go to the state where such institution was located, and (2) to enable the agency or commission to obtain an injunction against fraudulent or deceptive practices of the institution, or against other practices of the institution that violated the Act.

Text

Commentary

as prescribed by the [Rules of Civil Procedure] of this [State] [Commonwealth].

Section 22. Enforcement; Injunction.

(1) The Attorney General of this [State] [Commonwealth], or the District Attorney of any district in which a postsecondary educational institution or an agent thereof is found, at the request of the [Agency] [Commission] or on their own motion, may bring any appropriate action or proceeding (including injunctive proceedings, or criminal proceedings pursuant to Section 20 hereof) in any court of competent jurisdiction for the enforcement of the provisions of this Act.

(2) Whenever it shall appear to the [Agency] [Commission] that any person, agent, group, or entity is, is about to, or has been violating any of the provisions of this Act or any of the lawful rules, regulations, or orders of the [Agency] [Commission], the [Agency] [Commission] may, on its own motion or on the written complaint of any person, file a petition for injunction in the name of the [Agency] [Commission] in any court of competent jurisdiction in this [State] [Commonwealth] against such person, group, or entity, for the purpose of enjoining such violation or for an order directing compliance with the provisions of this Act, and all rules, regulations, and orders issued

Text

Commentary

hereunder. It shall not be necessary that the [Agency] [Commission] allege or prove that it has no adequate remedy at law. The right of injunction provided in this section shall be in addition to any other legal remedy which the [Agency] [Commission] has, and shall be in addition to any right of criminal prosecution provided by law; provided, however, the [Agency] [Commission] shall not obtain a temporary restraining order without notice to the person, group, or entity affected. The existence of [Agency] [Commission] action with respect to alleged violations of this Act shall not operate as a bar to an action for injunctive relief pursuant to this Section.

Section 23. Funding. [Note: Appropriations or authorizations therefor should be provided for as appropriate.]

Section 24. Severability. In the event any section, subsection, sentence, clause, or phrase of this Act shall be declared or adjudged invalid or unconstitutional, such adjudication shall in no manner affect the other sections, subsections, sentences, clauses, or phrases of this Act, which shall remain of full force and effect, as if the section, subsection, sentence, clause, or phrase so declared or adjudged invalid or unconstitutional were not originally a part hereof. The state

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Text

legislature hereby declares that it would have passed the remaining parts of this Act if it had known that such part or parts hereof would be declared or adjudged invalid or unconstitutional.

Section 25. Effective Date. For the purpose of making the necessary preparations to implement the provisions of this Act, it shall become effective, __________, but for all other purposes, this Act shall become effective __________.

Section 26. Repealer. [Note: [State] [Commonwealth] should determine which, if any, laws are in conflict with this Statute and should be repealed.]

Commentary

NATIONAL ASSOCIATION OF STATE ADMINISTRATORS AND
SUPERVISORS OF PRIVATE SCHOOLS,
August 19, 1974.

Hon. JAMES G. O'HARA, M.C.,
Special Subcommittee on Education,
Committee on Education and Labor, Washington, D.C.

DEAR CONGRESSMAN O'HARA: Attached is a copy of the statement requested by Congressman Regula. Since it also concerns the work of your committee, I felt you should have a copy.

This statement was written as national president of the National Association of State Administrators and Supervisors of Private Schools, rather than Commissioner of the Indiana Private School Accrediting Commission.

I trust it will be of some use to your committee.

Respectfully,

JOSEPH A. CLARK, *President.*

Enclosures.

[The following letter is included with the permission of Congressman Regula]

NATIONAL ASSOCIATION OF STATE ADMINISTRATORS AND
SUPERVISORS OF PRIVATE SCHOOLS,
August 15, 1974.

Congressman RALPH S. REGULA,
Special Studies Subcommittee,
Committee on Government Operations,
Washington, D.C.

Attention Mr. Joseph Luman.

DEAR CONGRESSMAN REGULA: During my testimony before the subcommittee on July 17, 1974, you asked of me, as President of the National Association of State Administrators and Supervisors of Private Schools the following:

"What I would like to see your group do is submit to us the kind of standards that should be part of the federal aid legislation, which would say in effect that no federal monies from any of the agencies: VA, HEW, or whatever, can go into any state unless that state has adopted a program meeting the standards for the accreditation of proprietary schools within that state, so that the responsibility stays in the state (but) that the Federal Government can rely on that approval as having validity."

I indicated to you that we would be happy to come up with a statement of standards that would be, in our estimation, valuable to establish state oversight for a portion of the mechanism leading to eligibility vis-a-vis, federal dollars, for the proprietary-profit or proprietary non-profit instittuion. The following then, is the initial statement of NASASPS.

"To participate in federally funded programs proprietary institutions must be accredited by an agency approved by the United States Office of Education, Department of Health, Education and Welfare. There are numerous agencies that hold this approval, but the majority of the proprietary schools fall within the jurisdiction of the National Association of Trade and Technical Schools, the National Home Study Council, the Association of Independent Colleges and Schools and the Cosmetology Accrediting Commission. The standards developed by these accrediting bodies have proven to be substantially sufficient. However, the difficulty lies within the number of on-site visitations that can be made and an adequate fail-safe system to be provided between the onsite visitations.

"There are a number of states, who regulate the proprietary institutions, who have standards similar to those of the accrediting bodies and in some few instances standards that are more stringent. These agencies "approve" the school to do business within that state, whereas the accreditation given by the accrediting bodies is based on the educational excellence of the programs and institution and not whether the school can legally do business in a state. However, in the minds of quite a few people the two terms are synonomous when used in the context of meeting standards. We should note therefore the real difference between the two: Accreditation being a voluntary peer evaluation performed by a representative peer group of the industry; Approval being the non-voluntary evaluation by the state, required by the state, and designed to see that all applicable minimal standards are met in order to do business within that state.

"Before a list of standards can be given to the federal Congress for their consideration, we must be aware of the kind of standards that must be developed on a state to state basis. The states that do have adequate laws generally apply the following standards:

"(1) *Application Information.*—This standard deals generally with contracts with close attention focused on the truth-in-lending act and full disclosure for consumer information.

"(2) *Catalog Criteria.*—This standard relates to the type of information that must be contained in any document that purports to be a catalog. Once again attention is focused on full disclosure of all operating procedures of the institution and highlighted so that a student can make a decision without being misled by oral statements of an agent or salesman of an institution.

"(3) *Admission Policies.*—This standard is the most difficult to outline because of the variety of students and subjects offered by the proprietary school. In some states they cover this by rule and regulation based upon a determination made as to the 'kind and type' of institution being evaluated.

"(4) *Instructional Criteria.*—This standard is evaluated by the state educational staff or by individuals, who by virtue of their expertise in busines, industry and educational subject areas are asked to perform this function. Basically the instructional material is measured to see that the most advanced materials are presented in a manner that can be comprehended by the student and organized in a clear meaningful manner to actually prepare the potential student for his job.

"(5) *Record-Keeping Criteria.*—This standard provides for a system of record-keeping that will detail all pertinent data on the student, during his training, and after graduation, including placement and job success.

"(6) *Agent/Salesmen Criteria.*—This standard reflects the requirements necessary to becoming a licensed representative, prohibitions concerning advertising and recruitment of potential students by the agent/salesmen.

"(7) *Placement.*—This standard would apply to all schools offering placement assistance. Methods of placement, as well as placement figures must be documented.

"(8) *Cancellation and Refund Policy.*—Perhaps the most difficult policy to standardize is what constitutes a good refund policy. All require schools to adhere to a refund policy which must be clearly explained to the student, and which must be clearly understood by the agent.

"(9) *Equipment/Facilities.*—This standard is designed to make the institution prove that equipment and facilities are not obsolete or that the facilities provide an adequate educational environment. Normally, all standards are so written as to preclude a needless expenditure of equipment unless present equipment does not provide modern experience.

"(10) *Faculty Criteria.*—This standard is designed to designate the manner in which faculty will be certified by the state to assume knowledge and competence in their area of teaching. The standards are geared as to reflect qualification through on-the-job training (work experience) and formal classroom training (college, graduate school).

"(11) *Administrative Staff Support.*—This standard is designed to insure that the student has proper channels of redress and that someone, properly trained and cognizant of the total school operation is always available to both student and faculty.

"(12) *Advertising/Recruitment.*—This standard is designed to provide for ethical behavior on the part of an institution, its staff and representatives in the use of multi-media advertising, scholarships or grants, and recruitment practices.

"(13) *Financial Stability.*—This standard is designed to insure that the student is protected against any loss incurred by the institution or its representatives in not fulfilling the contractual arrangements between student and institution. (This is an extremely difficult standard to make uniform since current bonding requirements vary from $1,000.00 to $50,000.00.)"

The above standards are generally found in all the states who do have adequate laws. They normally will reinforce the basic statute by Rules and Regulations. In an attempt to develop uniform laws throughout the fifty states, the Education Commission of the States developed a legislative model for states to adopt if they wished. The ECS model is a good, basic outline for each state to adopt. NASASPS has not, officially, made a statement supporting this model. Primarily, the reason has been due to the attempts by NASASPS to develop its own legislative model. Yet, the majority of the membership of NASASPS feels that the basic ECS model is the best tool available to the states who wish to prepare, or streamline, an agency designated to approve proprietary schools.

The advantage of a state regulatory body is contained in its ability to react swiftly to problems. The agency can request yearly reports attesting to continued compliance with the standards and it can detach staff to make on-site visitations on a regular basis. This ability of a state regulatory agency to act immediately, when coupled with the peer evaluation performed by the accrediting bodies, provides a duality of purpose and accountability. Working in unison the state and peer evaluation groups can provide a hands-on oversight that would be most helpful to the federal government. Yet, there is one point that must be raised before we mention the standards you requested.

Section 435(c)(2) of the Congressional Directives concerning eligibility state: "A (vocational school) is legally authorized to provide within that state, a program of post-secondary vocational or technical education designed to fit individuals for useful employment in recognized occupations." If Congress meant what it implied in the Higher Education Act, then it would seem to us in NASASPS that perhaps the states already have an authority to help determine the eligibility of the institution, but have not been allowed to exercise that authority by the Office of Education!

Perhaps this is because no program can be implemented between the states and the federal government until the states become strong and more importantly as uniform as possible. Presently, only a handful of states could be of assistance in establishing eligibility and they should be utilized. Therefore, presuming that the states can be made minimally uniform, we would then submit the following standards that could be used by the federal government to measure that states ability to provide the needed assistance.

No Federal monies will be authorized for disbursement to any State for use by eligible proprietary schools unless or until the Federal Government finds that the State agency of control requires the following standards be met by the proprietary institution domiciled within that State:

(1) The school has a sound financial structure with sufficient resources for its continued support.

(2) The school has satisfactory training or educational facilities with sufficient tools, supplies, or equipment and the necessary number of work stations or classrooms to adequately train, instruct, or educate the number of students enrolled or proposed to be enrolled.

(3) The private school has an adequate number of qualified instructors, sufficiently trained by experience and/or education, to give the instruction, education or training contemplated.

(4) The advertising and representations made on behalf of the school to prospective students are truthful and free from misrepresentation or fraud.

(5) The charge for the training, instruction, or education is clearly stated and based upon the services rendered.

(6) The premises and conditions under which the students work and study are sanitary, healthful and safe according to modern standards.

(7) The school has and follows a refund policy as established by the state.

(8) The school and its representatives are bonded to provide indemnification to any student suffering loss as a result of any fraud or misrepresentation.

The proposed standards are quite simple and we understand that a simplistic approach to a complex problem is not always worthwhile. We believe that these eight standards expanded through the promulgation of individual rules and regulations in each state would provide the safeguard.

Accreditation is but one tool that should be used to establish eligibility. These standards are designed to allow the state to make the judgment as to the institution's ability to function as a bona-fide institution. Coupled with the educational judgements made by the peer evaluative group these standards will provide the Federal Congress with a mechanism to establish accountability.

I would emphasize again, that we must utilize the two primary sources of eligibility investigation that we possess; the states and the nationally recognized accrediting institutions. We must not force states into attempting to become national accrediting bodies. This would create a symphony of confusion so orchestrated as to provide a technocracy that would strangle education. We must not force accrediting bodies into a battle of survival with the states. We must not create a discordant universe that would favor additional exploration by either the VA, OE or the FTC. We must provide for the duality of expertise; the states attesting to the ability to be a viable institution and the accrediting body attesting to the educational worth of the courses and the institution.

We, in the National Association of State Administrators and Supervisors of Private Schools, trust that these eight standards will be of value to you and your colleagues.

Respectfully,

JOSEPH A. CLARK, *President.*

ANNUAL REPORT—II

THE INDIANA PRIVATE SCHOOL ACCREDITING COMMISSION

This Annual Report—II covers the period January 31, 1973, and was prepared by the staff of the Indiana Private School Accrediting Commission. Joseph A. Clark, Commissioner; Alan Zirkle, Assistant Commissioner; Pamela Johnson, Administrative Assistant to the Commisioner; Marian Cline, Staff Asistant/Licensure; and Jane Herrmann, Staff Assistant/Procedures.

PART I. THE LAW AND 1973

During the first six months of 1973, the agency began the on-site evaluation of applicant schools which had completed their obligatory period of preparation for accredited status. The 1973 legislature passed Public Law 213 (Acts of 1973), which changed certain fee procedures which enabled the agency to move more quickly than had been anticipated.

Public Law 213 (Acts of 1973), Section 9.5, stated: "The cost of performing the team on-site investigation shall be borne by the applicant school: Provided however, That the total cost of any inspection, including room, board, and mileage which does not necessitate travel outside the state of Indiana, shall not exceed five hundred dollars ($500.00) for any one (1) school."

With the passage of this amendment, the State of Indiana was relieved of the expense of providing for the remuneration of the team members.

Prior to the passage of this amendment there had been but three on-site evaluations performed. The cost of these three investigations had been approximately $1,200.00, and these were for small schools requiring a one-day visit of the facilities. The Commission estimated the average number of days at two and the average number of team members at three for a typical evaluation. Since there were 90 schools on applicant status at the time, it was estimated that the cost, to the state, of yearly evaluations would approximate $42,000.00. Therefore, the amendment was drafted, and since the Commission received no opposition from the schools it was introduced and passed. During the period of time the amendment was drafted and the schools were queried, it was found that the majority of the schools, when asked, actually supported the concept of the schools paying for their own evaluations.

By January 1, 1973, schools were ready for their on-site evaluations. In order to accommodate the schools, the Commission started establishing teams and arranging scheduled inspection dates. In order to be evaluated an applicant school must have accomplished the following:

(a) Submitted a $50.00 application fee (administrative).

(b) Secured surety bonds for its school and agents.

(c) Prepared IPSAC Form 1(7/71) in ten copies.

(d) Provided an up to date financial statement within thirty days of the actual inspection.

(e) Submitted the $50.00 evaluation fee (administrative).

Once these administrative procedures were completed, the team chairman and members were notified as to the actual inspection dates and supplied with the various inspection forms an da copy of the IPSAC Form PSA-1/71). From the ranks of the following business, industrial and educational institutions the team members were chosen:

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Gary National Bank, L. S. Ayres, Artim Transportation Systems, Inc., Basic Computer Services, Federal Highway Administration, Safeway Door Corporation, North Vigo High School, Purdue University, Indiana University, General Electric, I. U. School of Law, R. C. A., Christian Ram and Company, Detroit Diesel, William Freije, Inc., Wheaton Van Lines, General Motors, Honeywell Corporation, U.S. Steel, McMahon-O'Connor Construction Co., Tri-State College, Ind. Motor Truck Association, Perkins Transport, Delco Electronics, Madison Hgts. High School, Central State Hospital, National Cash Register Co., Bank of Indiana, Teamsters Local 543, Kokomo High School, Zollner Corporation, Catter Buick (Indpls), American Airlines, Eastern Airlines, Indiana Vocational-Technical College, Operating Eng. Union, Paul R. Hosler, Inc., Eli Lilly, Small Sheet Metal Co., Bendix Corporation, C.T.S. of Berne, Inc., NIPSCO, and Bose, McKinney & Evans.

One of the good efforts of the evaluations was the positive involvement of business and industry with state government and their introduction to the area of post-secondary profit and non-profit education.

The evaluations proved that the original procedures developed for the on-site inspections were adequate and that the original structure of the evaluation teams was also quite adequate.

The original law, Public Law 313 (Acts of 1971), was further amended to (1) replace a section of the Law erroneously removed by the printers when the 1972 amendments were printed, and (2) the special account for the collection of fees was terminated and all future fees were to be deposited in the general fund of the state.

In the original authorized act the Commission was granted $80,000.00 by the legislature to implement the new agency, and a special fund was created to provide for the payment of administrative costs.

By the end of 1972 it was noted that current fee collections and anticipated fee collections would not be able to sustain the day to day activities of the agency. Therefore, it was determined that the only manner by which the agency could sustain itself was by a direct appropriation of the legislature. To enable this to happen and to preclude unnecessary budgetary conflicts, it was decided to introduce an amendment to remove the special fund and designate the general fund as the recipient. This was accomplished by Public Law 313 (Acts of 1973), and effective July 1, 1973, the agency no longer had its own special fund. (See Part VIII for further facts).

During 1973, the Commission was able to carry out its mandate, as stated in Public Law 313 (Acts of 1971), which said:

"The General Assembly recognized that the private school is an essential part of the educational system. It is the purpose of this act to protect students, educational institutions, the general public and honest and ethical operators of private schools from dishonest and unethical practices" by furthering its atetempts to bring to light those fraudulent operations which were plaguing the citizens of Indiana as well as disrupting the lives of citizens in Indiana's sister states.

PART II. FRAUDULENT SCHOOL ACTIVITIES—1973

During the year 1973, the Commission was involved in many investigations of suspected fraudulent activities and suspected unethical operations. During this period, liaison was established and assistance given by the Indiana State Police, Federal Bureau of Investigation, Postal Department, Internal Revenue Service, Department of Defense, and various local law enforcement agencis in such cities as Indianapolis, Anderson, Hammond, South Bend, and Lafayette. In July of 1973 the Commission held a major news conference and exposed a multi-million dollar (see Attachment 1) fraudulent school operation centered in Indianapolis, called World Wide Systems.

World Wide Systems was supposedly a truck driver and heavy equipment training school which solicited students from 43 states for training to be given by various trucking lines and heavy equipment companies. For a total of $895.00 the potential student was to receive 100 hours of correspondence work and 100 hours of on-the-spot or residence training, after which he was to be placed in a position, at the rate of $4.56 or $5.56 per hour, with a major trucking line or heavy equipment corporation, either of which would be located within a fifty mile radius of his home. Unfortunately, this was not true and not based on any factual happenings.

In late 1971 and early 1972 the Commission began to receive various complaints concerning a group of schools located at 1414 South West Street and 3520 West Washington Street in Indianapolis. The complaints concerned the soliciting of potential students for a job and then, upon the payment of $195.00, being informed that it was actually a school and that they owed an additional $700.00 for training. When these disclosures were made, the potential "employee–student" requested his $195.00 downpayment returned and discovered that the payment was non-refundable. The Commission called the owner of Empire Express, Inc., an allied operation, and World Wide Systems, Inc., concerning these deceptive practices. An explanation was given and the penalties explained. The owners indicated that the abuses would stop and they would handle the situation. As quickly as the complaints started, they stopped, and for all intent and purposes the schools appeared to have cleaned up their operations. Unfortunately, this was not true, and later events proved that the entire fraudulent activity was more wide spread than originally believed.

In April of 1972 the agency was informed by the Federal Trade Commission that an operation known as Empire Express, with various d/b/a's, was under order to cease and desist operations.

The owner of the school ceased operations, removed all records and left the state in early May. The Commission was unable to track him and the Federal Trade Commission was unable to locate him or serve the order it had prepared.

For many months complaints came to the agency but were not acted upon due to the disappearance of the owner of the operation and his associates. Concurrently, complaints began to arrive again on the World Wide Systems, Inc., operation, and on July 1, 1972, the Commission issued cease and desist orders to both Empire Express, Inc., and World Wide Systems.[1] At the same time a similar order was issued to a training school located in Fort Wayne, Indiana, known as Empire Schools, Inc., which had been providing training for Empire Express, Inc., and, as it later turned out, World Wide Systems, Inc.

The agency began to catalog the complaints, and those involving action taken before July 1, 1972, were noted and the complainant was told by agency personnel to contact an attorney. (Those complaints registered after July 1, 1972, were placed in the active file and assigned a case number, F 117.30.03).

By January 15, 1973, our investigation uncovered the fact that Express, Inc., was no longer doing business in Indiana but that the owner was still carrying out clandestine operations in Ohio, Georgia Tennessee; that World Wide Systems, Inc., was operating in thirty-five states, but not Indiana; and that as long as they did not recruit Indiana citizens we were powerless to act.

Since we could immediately touch World Wide Systems, Inc., we again contacted the Federal Trade Commission and the Postal Authorities for assistance. It was to be five months before we could obtain assistance from any federal agencies and then only after many more complaints had been received from individuals and quite a few states.

The agency received inquiries, complaints and requests for assistance from Ohio, Michigan, Minnesota, Wisconsin, Pennsylvania, New York, Washington, California, Missouri, Colorado and quite a few other states. It became quite frustrating for the agency since we could not actually touch World Wide and, therefore, could do no more than indicate that we were aware of the problem.

In February of 1973 we were notified that Empire Schools, Inc. of Fort Wayne, Indiana, was again teaching students in violation of Public Law 313. A cease and desist order was again issued, and the agency requested that an investigator from the Allen County prosecuting attorney's office visit the school and verify the allegations. His investigations indicated that the school was not in operation and, according to the owner, had not been and would not be. Later events proved that this report was erroneous and the investigator had not been told the truth.

More complaints came to the Commission's attention, but, as before, no action could be taken and the federal agencies still did not cooperate. Finally, in April of 1973, the agency received the break that it needed. With this and a subsequent renewed interest by federal agencies, the agency moved in to the final stages of its investigation, an investigation which resulted, finally, in arrest, restitution and the end of the fraudulent World Wide Systems operation.

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[1] The law was not operational until July 1, 1972. Prior to that time, from May 1, 1971, until June 30, 1972, Commission activities were directed toward implementation of a new agency and procedural development.

In April, 1973, Assistant Commissioner Alan Zirkle was contacted by World Wide Systems, Inc., to attend school.

Assistant Commissioner Zirkle, after discussions using his own name, address and telephone number, made an inquiry of a World Wide Systems ad he discovered in a newspaper. After he sent in the inquiry he was contacted and given the entire "story of the job" he would receive and how much money he would make. The Indiana State Police Law Enforcement Intelligence Unit (LEIU) was contacted, and arrangements were made to jointly gain facts that could be used, in court, to prosecute the owners of World Wide Systems, Inc. The Governor's office, the state budget agency, the LEIU and this agency worked together to provide money from a special fund to pay for the "good faith fee" necessary to make it possible for Assistant Commissioner Zirkle to get his "job." Under supervision of a state police officer, tape recordings were made of the conversations between Assistant Commissioner Zirkle and the "school." A postal money order was purchased, a record of its serial number made, and a special tracer placed upon it. At about the same time the Brown County prosecuting attorney called the agency and indicated that two young men had been contacted by World Wide Systems, and he requested our assistance.

With the cooperation of the State Police, this agency arranged for one of the young men to receive special money and start the procedure for obtaining his job. This was accomplished and depositions were taken from the young man and the prosecuting attorney. All that was necessary was to wait for World Wide to accept the money, send the materials and thereby verify the fact that they were knowingly doing business in direct violation of Public Law 313 and after specific cease and desist orders had been issued.

In mid-May 1973, Assistant Commissioner Zirkle did receive all materials, and as soon as the young man from Brown County received his, they were marked as evidence and, along with the taped telephone conversations and depositions, placed in a safe [illegible] State Police headquarters. The Attorney General's office was notified of possible litigation, as was the Marion County (Indiana) prosecuting attorney. Yet, the agency hesitated in bringing punitive action and began a series of new investigations because of evidence that indicated a bigger problem was developing.

In late May of 1973, after a telephone conversation with an employee of World Wide Systems and subsequent conversation with Indiana State Police officers, a new course of action was taken. The caller agreed to stay on with World Wide Systems and act as an informant for the agency. Once again, it was agreed to request federal assistance, and information indicated that the Fort Wayne operation was still active in spite of the investigation performed a few months before. Through information supplied by the informant we were able, at last, to chart the entire operation and discover, as a result, the vastness of the operation.

In late May the agency contacted the Federal Trade Commission, the Postal Inspectors, and the Investigating Division of the Internal Revenue Service. The FTC indicated that it would be at least eight months before it could move. The Postal Inspectors were interested, but indicated they were too short on staff and could not really do anything. The Internal Revenue Service was interested and, after initial investigation, decided to make further inquiries on its own. As a result of these meetings, the agency attempted to secure additional information in hope of gathering enough facts to keep the organization from being able to re-open in any state.

By late June the agency had gathered additional facts from Western Union and Bell Telephone. The following company names were established as being a part of the total operation known as World Wide Systems, Incorporated: Roads and Lands, New Horizons Unlimited, Coastway American Systems, Piedmont Crane, Great Lakes Development Corporation, Associated Systems, Trailmasters and Rapidway.

Further, the agency knew that the Fort Wayne training school known as Empire Schools, Inc., was operating and training for World Wide Systems, Inc., but further investigations were necessary to prove this fact beyond a shadow of a doubt. Finally, in mid-July, Assistant Commissioner Zirkle received a call from a man in New York who was to take training at the Fort Wayne school. Armed with this information, a stake-out was planned for the nights of July 21–22, 1973.

During the early morning hours of July 22, 1973, five men were observed being met at a motel pick-up point in Fort Wayne, Indiana. After the men left, the motel personnel were interviewed and gave the names of the men who were registered to attend the school.

On July 23, 1973, members of the Indiana State Police and the Commission visited the motel and the training school. A state police helicopter dropped over the training site, and aerial photographs of the actual operation, including students and instructors working on various pieces of equipment, were taken The motel was visited immediately after by Commission investigators and, after removing a member of the "faculty," depositions were taken from four of the five students.

The students all told the same story as to how they were solicited, and, with minor differences, each was given the same story even though the name of the particular "corporation" was different.

By July 25, 1973, two days after the joint IPSAC—State Police operation in Fort Wayne, the Indiana Private School Accrediting Commission held a news conference at the Indianapolis Press Club and released the findings of the year-and-a-half investigation.

Immediately after the news conference the entire investigative file was turned over to the Postal Inspectors and the U.S. Attorney's office. The Postal Authorities began their investigation of possible conspiracy to defraud and mail fraud. At the same time, IPSAC investigators and postal inspectors took depositions from former employees of World Wide Systems, Inc., and the agency began the final phase of its involvement.

In Fort Wayne, Indiana, the owner of Empire Schools, Inc., was arrested for violation of Public Law 313 (Acts of 1971) and arraigned at the county jail. At the trial, he was given a six-month suspended sentence, fined $250.00 plus court costs and ordered to pay restitution (no later than November 1, 1973).

In December of 1973, the federal grand jury issued 61 indictments against the principals involved in World Wide Systems, Inc; case and trial date was established for March of 1974.

Case: FI 173.00.1

In late April of 1973 the agency was contacted by officials of Indiana Vocational Technical College concerning a group of unknown individuals who were soliciting in the Muncie, Indiana, area for a school, supposedly Indiana Vocational Technical College, and attempting to sign potential students for fall, 1973, classes.

Agency investigators contacted county, city and state police officers in the Muncie, Delaware County area and requested their assistance. Information provided by two families who were petitioned indicated that the "representatives" were two men and one woman driving a 1971 red Camero or similar car.

It was established that one of the "potential students" who had been contacted was the son of the chief of police. The family was asked to tell the representative that they wished to talk again and arrange for a meeting. The State Police and agency investigators were to be present, and when the representatives received the enrollment money from the parents, they were to be arrested for fraud and violation of Public Law 313 (Acts of 1971). The arrangements were made, but the representatives did not appear. When this happened, a resume of the known facts was prepared, and the agency attempted to evaluate the events to determine if "representatives" might attempt to work their racket again. The representatives had worked the Evansville area first. They would canvas an entire area by utilizing the city directory and contacting only white middle class residents.

They were careful to pick an area that contained both private trade schools and campuses of Indiana Vocational Technical College. Their "pitch" was to sell, for a price of $50.00 to $195.00, advance registrations for classes beginning in the fall of 1973. The name of their "school" was always similar to either a prominent private school or Indiana Vocational Technical College, i.e., Indiana Technical Institute. Since Evansville, Indiana, had both an International Telephone and Telegraph and Indiana Vocational Technical College,

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it was quite simple for the potential student to assume that they were talking about a recognized school.[2]

After the initial conversation they would attempt to establish a meeting in the home to further sell the product. If questions were asked over the phone concerning veterans' benefits, scholarships, transfer of credits, and/or accreditation, the representatives would become evasive. If the potential student was persistent, the caller would terminate the conversation. If the prospective student seemed interested, then, as previously mentioned and asked no pertinent questions, the home visitation was established.

The prospective student would be visited by one of the two "John Doe's" on the "Jane Doe." The first "John Doe" was identified as being a white male, 30 years of age, six feet tall, and approximately 200 pounds in weight, brown hair, brown eyes, and with a good taste for clothes.

The second "John Doe" was identified as being a white male, 50 years old, five feet six inches tall and approximately 185 pounds in weight, balding dark hair, and quite sloppy in appearance.

"Jane Doe" was identified as being a white female 27 years of age, five feet two inches in height, approximately 105 pounds in weight, red hair, blue eyes, extremely pretty, and with an excellent taste in dress. She sometimes used the name Miss Andrson.

Once the representative entered the home he discussed the school, its price, location and benefits. Then, according to what the market could bear, the prospective student would pay a "holding fee" or downpayment of $50.00, $100.00 or $195.00. It is interesting to note that during the entire investigation it was proved that not once did the representatives show contract or enrollment forms nor did anyone sign any form before or after the payment of his money to the representative!

After the agency had, with the cooperation of the Indiana State Police, evaluated the information it was decided to warn the administration of Indiana Vocational Technical Institute and ITT Educational Services as to the problem and request their assistance.

The situation lay dormant until early June, 1973, when the agency was notified the group was working again, and this time in the Lafayette, Indiana, area. And this time they were using a name and course description quite similar to the Lafayette campus of Indiana Vocational Technical Institute.

Investigators from the agency and detectives from the State Police Department at Lafayette immediately started an investigation. The normal length of time in an area was two weeks. It was quickly learned that the operation had begun only four days before. A check of witnesses contacted indicated that investigators were only 24 hours behind the representative's activities.

As in the case of Evansville and Muncie, the calls were going to white middle class homes, except the representatives were not calling any individual who worked for Purdue University. A check of motels and hotels failed to uncover the whereabouts of the suspects, but calls were still being made. When a request was made for a subpoena to check new installation of telephones in the area, the judge would not do so.

Apparently, the trio was somehow made aware of the joint investigation, for they suddenly stopped operations, which was unlike the normal method of operation. Assuming that they might attempt to continue their operation, agency investigators alerted police officials in Elkhart and South Bend, Indiana.

After the cession of operations in Lafayette, Indiana, the trio simply dropped from sight. No more was heard, and an estimation of both State Police and agency investigators placed the income from this fraudulent operation at approximately $20,000.00.

Case F 117.30.09

This case concerns certain highly questionable practices by two schools on various military establishments. As of December 31, 1973, agency investigators were still working with the Federal Bureau of Investigation, the Internal Revenue Service, and the Department of Defense. All facts are held confidential until the investigation is complete.

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[2] The Evansville operation was not discovered until the agency was deeply involved in the Muncie area case.

Case F 117.30.02

In this case, a school located in Hammond, Indiana, ceased operations and moved into Michigan. Authorities in Michigan and Hammond were notified. Agency investigators visited the school premises in Hammond to no avail. The bonding company was notified and a claim for almost $5,000.00 was filed. An attempt to reopen the school in Hammond in November of 1973, was thwarted. Restitution was made to all students, except one, and the case is still pending for that reason.

Case F 117.30.05

This case involving a school in Merrillville, Indiana, is still pending. A request for information from New Scotland Yard, London, England, is still to be answered. This school purports to offer doctorates by correspondence on an international scale.

Case F 117.30.04

In mid-August 1973, the agency was contacted by the Speedway Police Department, requesting assistance in stopping the activities of a group for a school in Michigan. The group had arrived in Indianapolis late Wednesday, beginning contacts on Thursday, and the agency was notified on Friday.

A potential student not quite sure of the respectability of the school, known as Magna-Man, Inc., called the Federal Bureau of Investigation and then the Speedway Police Department. In turn, the agency was contacted.

Agency investigators proceeded to the Speedway Holiday Inn, where the school represntatives were located and discussed the situation with them. They were notified as to their legal status and the requirements of the law. They were ordered to leave the state immediately, return all money and make no further contacts with Hoosier citizens unless or until the requirements of Public Law 313 (Acts of 1971) were met.

After the representatives left, agency investigators and Speedway Police make a thorough check of their rooms. A check of phone calls was made, and the people contacted were informed of the status of the Magna-Man, Inc., operation. Fortunately, no money changed hands.

Magna-Man, Inc., was established as being part of World Diversified, Inc. and displayed all the trappings of a pyramid operation. They were listed by certain motels as "cash in advance customers only." After the events of mid-August, 1973, they were no longer heard from.

Case F 117.30.07

In September of 1973, information was furnished the agency that massage schools were operating in the state without the sanctions of the agency. One of the schools was located in Illinois, one in South Bend, Indiana, and one in the Indianapolis area.

During September, 1973, the Indianapolis Star launched a massive expose of the multi-million dollar sex racket in Marion County and the massage parlor involvement.

Agency investigators discovered that no "schools" actually existed. The training usually given by the owner of the parlor or another person. In October, a meeting was held between agency investigators, the commander of the Indianapolis City Police Vice Squad and the Indianapolis police chief.

The meeting was arranged to discuss Public Law 313 (Acts of 1971) and its possible use, if needed, by the Police Department.

A letter outlining the law, its penalties, and how it could be combined with the existing city ordinances, was sent to the Indianapolis city controller.

As of December 31, 1973, no word was received from the Indianapolis Police as to a need for Public Law 313 assistance.

PART III. AGENCY FORMS/PROCEDURES

During 1973, the agency further developed forms, letters and procedures relative to seeing that the required procedures of Public Law 313 and the Rules and Regulations were followed. The new forms (letters) for Evaluations developed are following:

IPSAC Form PSA-1BB—Blanket surety bond to cover all agents.
IPSAC Form TS-1(4/73)—School inspection schedule.
IPSAC Form TMV (4/73)—First letter to team member.
IPSAC Form TV-2(4/73)—Second letter to team members.

IPSAC Form TM-3(4/73)—Final letter, including a school's self-study materials to team members.

IPSAC Form TM-1-CH(4/73)—Team chairman letter.

IPSAC Form TVD(4/73)—Failure to pass evaluation letter.

IPSAC Form TVC(6/73)—Commission members voting letter.

IPSAC Form TVI(6/73)—Inspection fee reminder letter.

IPSAC Form TMP(4/73)—Candidate status letter.

IPSAC Form HF-1(7/73)—Letter to evaluation team stating final disposition.

IPSAC Form V-1—Payment voucher for in-state evaluations.

IPSAC Form V-2—Payment voucher for out-of-state evaluations.

The following new "JC" Letters were developed to insure standardization of procedural requirements:

JCX—Warning letter to school to obtain status.
JCY—Reminder of IPSAC Form PSA-1(7/71) deadline.
JCZ—Reminder of agent's renewal fee.
JCAA—Cease and desist letter.
JCBB—Accreditation renewal reminder.
JCCC—Notification of inspection date.
JCDD—Exempt renewal reminder.
JCEE—State of domicile information request.
JCFF—State of domicile information on schools issued "five-day" warning.
JCII—Reciprocity letter to school.
JCJJ—Notification of 30-day notice of bond cancellation.
JCKK—Revocation of status due to bond cancellation.
JCLL—Reciprocity to state agency of domicile.
JCMM—Fully accredited status renewal.
CTC—Request for contracts, tuition fees, course outlines.

In order to reduce the chances of internal administrative procedural breakdowns, the following "in house" forms were developed:

1. Active agent index card file.
2. In active agent index card file.
3. Renewal agent fee log.
4. Renewal of school accreditation log.
5. Complaint card file (by school).
6. Scheduled evaluation log.
7. V-1 travel vouchers (in-state).
8. V-2 travel vouchers (out-of-state).
9. Inspection form letters.
10. Additional JCC letters.
11. Exempt schools renewal log.

In addition, the following major forms were deleted:

IPSAC Form PSA-1BV—Private School Bond Verification.
AAXV—Agents Employer Verification.

Of great importance to any state agency, and specifically to a new agency just beginning, is to insure that all reporting procedures, letters, forms and accounting checks are so established as to preclude error. The procedures established in 1972 and 1973 were designed to preclude error, if possible, and insure constancy for now as well as ten years from now.

The current procedures should insure smooth operations until 1980, allowing for minor variations caused by legislative action or special problems.

PART IV. STATUS OF SCHOOLS UNDER THE AUTHORITY OF PUBLIC LAW 313 (ACTS OF 1971), AS AMENDED

As of December 31, 1972, the agency had established the status of 439 post-secondary profit and not-for-profit trade, technical, business and correspondence schools. They were categorized as follows:

	Number
Accredited	89
Applicant	40
Not doing business	189
Exempt [1]	30
Exempt [2]	47

Special category:	Number
Awaiting bonds	8
Litigation	2
Investigation	4
Request for information	24
FAA not comply [3]	13
Total	439

[1] Small schools doing less than $10,000 a year; class size of five or less, 50 or less contact hours.
[2] By special arrangement, all FAA approved flight schools were exempt while the IPSAC-FAA attempt to develop new joint approval procedures.
[3] FAA approved schools known to be operating but who would not respond to agency letters.

By December 31, 1973, the agency activity with the schools had increased and the new figures were:

	Number
Accredited	99
Applicant	36
Candidate [1]	6
Exempt [2]	26
Exempt [3]	52
Not doing business	237
Request for information	86
Special category:	
Awaiting bonds	0
Litigation	1
Investigation [4]	5
No response	10
Total	558

[1] Schools who had been evaluated but need to make further changes to qualify for accreditation.
[2] Small schools doing less than $10,000 a year; class size of five or less, 50 or less contact hours.
[3] By special arrangement, all FAA approved flight schools were exempt while the IPSAC-FAA attempt to develop new joint approval procedures.
[4] Schools with no status but were attempting to operate in Indiana; or otherwise determine to be fraudulent operations.

As each school was placed on applicant status for a one-year period, the schools had the option, after being placed on such applicant status for sixty days, to request a full evaluation if they felt they were ready and could meet the requirements.

The schedule and disposition of each school is shown below:

April 1973

Transport Careers, Fort Wayne, Indiana.
Result: Candidate Status.[3]

May 1973

American School of Heavy Equipment, Morristown, Indiana.
Result: Candidate Status.

June 1973

Acme School of Die Design, Acme Institute of Technology, South Bend, Indiana.
Result: Accredited With Recommendations.[4]
Gary Technical Institute, Gary, Indiana.
Result: Candidate Status.
R.E.T.S. Electronic School, South Bend, Indiana.
Result: Accredited With Recommendations.

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[3] If a school did not successfully pass the on-site evaluation, but it was felt that additional time and assistance by the agency would enable it to meet the standards of P. L. 313, then it was awarded Candidate Status.
[4] If a school passed the on-site evaluation but needed certain changes to courses, contracts, instructors or additional library holdings to make it even better, then it was awarded Accredited With Recommendations.

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July 1973

Carter School, Elkhart, Indiana.
Result: Accredited.
Reese School of Business, LaPorte, Indiana.
Result: Accredited.
Sawyer College of Business, Indianapolis, Indiana.
Result: Accredited With Recommendations.
Marion Adult Education Career School, Gary, Indiana.
Result: Accredited With Recommendations.

September 1973

Training Systems Institute, Hammond, Indiana.
Result: Accredited With Recommendations.
Nichels Engineering Company, Griffith, Indiana.
Result: Accredited.
Valparaiso Technical Institute, Valparaiso, Indiana.
Result: Accredited With Recommendations.
Indiana Northern University,[5] Gas City, Indiana.
Result: Denial/Candidate.

October 1973

Accelerated Ground Schools, Atlanta, Georgia.
Result: Accredited With Recommendations.
Carmen Career College, Indianapolis, Indiana.
Result: Accredited With Recommendations.
R.E.T.S. Electronic School, Indianapolis, Indiana.
Result: Candidate Status.
Sawyer College of Business, Hammond, Indiana.
Result: Accredited.
H. & R. Block Income Tax School, Fort Wayne, Indiana.
Result: Accredited.
J. R. Powers Modeling & Finishing School, Indianapolis, Indiana.
Result: Candidate Status.

November 1973

National School of Claims Investigation, Gosport, Indiana.
Result: Candidate Status.
Reppert School of Auctioneering, Decatur, Indiana.
Result: Accredited.

December 1973

Associated Schools, Miami, Florida.
Result: Accredited.

In other actions pertaining to applicant schools, the following action was taken by the agency:

Business Institute, Hammond, Indiana.
Result: Exempted.
Calumet Institute of Automation, Hammond, Indiana.
Result: Moved to 1/31/74.
Lain Technical Institute, Indianapolis, Indiana.
Result: School voluntarily ceased doing business.
Real Estate Training Academy, Elkhart, Indiana.
Result: School ceased doing business voluntarily.
Florida Professional Academy, Miami, Florida.
Result: Cancelled evaluation and voluntarily ceased doing business in Indiana.
Indiana College of Commerce, Hammond, Indiana.
Result: Moved to 1/31/74.
Autotronics Training Center, Whiting, Indiana.
Result: Voluntarily ceased doing business.

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[5] Indiana Northern University failed to successfully pass its evaluation and meet Commission standards. As of November 30, 1973, it ceased doing business. On December 1, 1973, the newly created Indiana Northern Graduate School of Professional Studies was authorized to operate and placed on a two-year candidate status.

LSI Corporation, Indianapolis, Indiana.
Result: Voluntarily ceased doing business.
Bankers Corporation of America, Kansas City, Missouri.
Result: Moved to 3/74.
Motel Management Corporation, Chicago, Illinois.
Result: Decision pending Illinois Department of Education report.
Lincoln Service, Pekin, Illinois.
Result: Awarded Reciprocity.
Midwest Training Service, Wapakoneta, Ohio.
Result: Voluntarily ceased doing business.
Modern Career Training Institute, Lima, Ohio.
Result: Voluntarily ceased doing business.
National Training Institute, Memphis, Tennessee.
Result: Voluntarily ceased doing business.
Coyne American Institute, Chicago, Illinois.
Result: Voluntarily ceased doing business.
Midwest Technical Institute, Grandview, Missouri.
Result: Voluntarily ceased doing business.
Standard Technical Institute, Kansas City, Missouri.
Result: Awaiting confirmation of reciprocity between Indiana, Missouri and National Home Study Council.
Diesel Truck Driver Training, Sun Prairie, Wisconsin.
Result: Awarded Reciprocity.
Liberty School of Claims Investigating, Kansas City, Missouri.
Result: Voluntarily ceased doing business.

NOTE.—The schools which voluntarily ceased doing business were domiciled outside of the state and ceased operations rather than submit to the evaluative procedures. Some few had histories of questionable practices and were reluctant to submit to our inquiries.

Lain Technical Institute, Indianapolis, Indiana, ceased doing business due to the high costs of maintaining a small school as well as declining enrollments.

Dwyer College of Business, Indianapolis, Indiana, voluntarily ceased operations due to internal problems and poor finance. The Commission assisted in resolving problems settling claims and seeing that all official records were maintained. Dwyer College of Business had been accredited by this agency and the Association of Independent Colleges and Universities. In both instances its status was revoked.

Also during 1973, the agency issued 1,143 agent permits, of which 396 were still active as of December 31, 1973. The end of the year also brought to light a slight decrease in complaints filed with the agency against a private school.

PART V. CONSUMER PROTECTION ACTIVITIES

By December 31, 1972, the agency had received 198 formal complaints.[*] As of December 31, 1973, the agency had received 131 formal complaints. A comparison monthly activity is shown below:

Month	1972	1973
January	22	14
February	25	15
March	19	15
April	14	9
May	26	6
June	17	20
July	24	6
August	15	6
September	7	14
October	10	13
November	10	3
December	9	8
Total	198	131

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[*] Formal Complaints are those written and documented. The agency will not respond to telephone calls.

In 1972, the 198 complaints were generated by 51 schools out of the total 439 schools doing, or attempting to do, business in Indiana. This means that we had some problems with 12% of the total schools. Yet 32 of the 51 schools were "hard core" operations, operations acting in a fraudulent or deceptive manner. Therefore, only .07% of the total were those who were "hard core."

In 1973, the 131 complaints were generated by 47 schools out of the total 558 schools doing or attempting to do business in the state. This means that we had some problems with 8% of the total schools. Yet 12 of the 47 were again "hard core" operations. Therefore, only .02% of the total 558 were "hard core" cases.

	1972	1973
Total schools	439	558
Total complaints	198	131
Percent of complaints	12	8
Total schools causing complaints	51	47
Hardcore schools	32	12
Percent of hardcore	.07	.02
Total status schools with complaints	18	35

The number of fraudulent operations investigated by this agency decreased from 32 in 1972 to 12 in 1973. The number of complaints, though, on "status" schools, i.e., schools either accredited, applicant, or exempted, increased from 18 in 1972 to 35 in 1973. This was due, primarily, to the fact that the agency was better known, and procedures for registering complaints had been better publicized through contacts with Better Business Bureaus, counselors, and "Action Lines."

The largest number of complaints received by a "status school" during 1973 was four. During 1973, four schools received four complaints; four received three complaints; six received two; and the remaining twenty-one schools received one each. In all cases, the complaints were satisfactorily resolved. It is interesting to note that the great majority of schools are operating free from complaint. Yet, the agency understands that there is probably a large number of complaints that never reached us due to a lack of knowledge about the agency in spite of our attempts to educate people as to the Indiana Private School Accrediting Commission.

In the case of the .02% of the "hard core" operations, the agency knows that a far greater number of complaints were registered in other states which did not reach the agency staff.

PART VI. FEES AND COLLECTIONS

Originally, the fees collected by the agency were to be deposited in a special account to be used to defray administrative expenses (reference pp. 4–5, 1972 Annual Report); it was decided to repeal this section of the law in 1973 and place all monies received into the General Fund effective with the beginning of FY 1973–74.

A comparison of fee collections for 1972 and 1973 is shown below:

COMPARISON OF FEE COLLECTIONS

	1972	1973
January	$70	$1,380
February	920	2,250
March	1,375	2,200
April	2,315	2,035
May	1,460	2,145
June	3,390	1,770
July	5,845	2,335
August	2,395	1,005
September	1,930	1,460
October	1,405	1,150
November	2,010	1,735
December	1,390	1,350
Total	$24,505	$20,815

The fee structure was not sufficient to sustain the administrative expenses, and it was decided to repeal the special fund established by Public Law 313 (Acts of 1971). This was accomplished by Public Law 213 (Acts of 1973), which, among other things, did abolish the account and direct all future dollars to be deposited in the general fund.

To further illustrate the inadequacy of the fee as a provider of dollars, we shall use a hypothetical school as an example:

Xavier Institute, 1234 Any St., Hometown, Ind.

Fees paid to State first year:	
Application for accreditation	$50
Application for agent (per agent) [1]	20
Application for inspection	50
Accreditation certificate	25
Total	145
Second and subsequent years:	
Renewal of agents [2]	15
Renewal of accreditation	25
Total	40

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[1] The agent fee is per agent for initial application; therefore, if the school had 10 agents, it would have paid 20 @ 10=$200.

[2] The yearly renewal agent fee is per agent therefore, if a school had 10 agents up for renewal, it would have paid $15 @ 10=$150.

The only high cost factor would be based on the number of agents a school maintained its first and subsequent years. Therefore, the only logical decision was not to attempt to live on the fees. If an attempt was made to raise fees, it would tend to "over levy" small operations and perhaps cause them to cease doing business in Indiana; this was not the intent of Public Law 313.

PART VII. STAFF AND BUDGETARY DEVELOPMENT

During 1973 the main problem was centered around staff and budget needs. In 1972, the agency operated on a budget of $40,000.00 and a staff of two. At that time both budget and staff were sufficient, due primarily to the fact that the law did not take effect until July 1, 1972, and the need for more staff would not become apparent until January of 1973, when the majority of the schools became due for their initial evaluation and, in some cases, re-evaluation. (See page 9, Part V, 1972 Annual Report).

In 1973, the agency submitted a budget request to the General Assembly totalling $174,443.00 for the 1973–1975 biennium. In that budget was a request for four additional staff members, as well as increased dollars for postage, supplies, travel and office rental.

The budget was cut by the General Assembly, and the total dollars allocated to the agency for Fiscal Years 1973–75 was $96,080.

As a result of this drastic reduction, the agency was forced to fire one secretary in order to combine her existing salary with enough from the dollars allocated for raises to hire a male investigator-administrator. Instead of having an agency of seven members to handle all the normal work load, plus evaluations and investigations, the agency staff was only three.

In addition, the total operating budget was slashed and there were not enough dollars to pay for normal services.

The established biennium budget was:

1973–74:	
Salaries/personnel	$37, 640
Operating expenses	10, 400
Total	48, 040
1974–75:	
Salaries/personnel	37, 640
Operating expenses	10, 400
Total	48, 040
Grand total	96, 080

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The reduction of $78,363.00, both salaries and operating dollars, seriously jeopardized the future of the agency. The point by point allocations were:

POINT-BY-POINT ALLOCATIONS FOR FISCAL YEARS 1973-74; 1974-75

Point	Asked	Allocated
1	$63, 557	$21, 576. 79
2	4, 000	3, 000. 00
3	6, 204	1, 800. 00
4	2, 000	1, 000. 00
8	3, 500	3, 900. 00
9	1, 500	700. 00
Total	[1] 80, 761	48, 040. 00

[1] At the last moment, the agency trimmed the $174,443 by $13,921, which resulted in a new budget of $160, 522, but this was not acceptable either.

Fortunately for the agency, the state Public Employment Program financed by federal dollars became operational for FY 1973, and the agency was able to secure two secretaries. This brought the agency staff to five personnel and saved the agency from administrative and regulatory impotency. The administrator and assistant administrator were able to go into the field more easily, and this enabled the agency to handle the known frauds operating within the state (see Part II).

By October, 1973, it became apparent that the agency, as a result of the budgetary action of the General Assembly, would not have sufficient operating capital to complete FY 1973-1974. Therefore, a budget request was prepared for submission to the 1974 General Assembly. The new dollars requested were:

Point	*Requested*
1	$375. 00
2	4, 757. 56
3	3, 676. 00
4	1, 100. 00
8	0
9	175. 00
Total	10, 083. 56

Not included were raises or new positions, since it has been made fairly clear that new expansion would not be authorized until, perhaps, the 1975-1977 biennium.

The agency has been able to sustain itself, but additional investigative and secretarial staff are needed. If the Public Employment Program is not refunded and the two existing secretaries are lost in 1974, then the agency will suffer and it will be almost impossible to carry out the legislative direction.

In August of 1973 the agency submitted a proposed manning table to the State Personnel office. The proposed manning table requested the following positions be established but not necessarily filled until dollars become available.

Commissioner; deputy commissioner; assistant commissioner, educational services; assistant commissioner, Policy Services; secretary, receptionist; secretary, researcher; secretary; and administrative assistant.

The assistant and deputy commissioner positions would also act as field investigators and the general office administrator would be handled and coordinated by the administrative assistant to the commissioner. As of December 31, 1973, no denial or confirmation had been received by the agency from the Personnel Director's office.

In order to attract qualified individuals to operate as investigative/evaluative personnel, the salary schedule has been established to begin at the annual figure of $12,500.00. The proposed salary ranges submitted to the Commission for the new personnel were as follows:

Deputy commissioner, range 63—step A	$20, 160
Assistant commissioner, range 56—step A	15, 120
Secretary/receptionist, range 37—step A	6, 600
Secretary/researcher, range 42—step A	8, 280

As of December 31, 1973, as previously stated, no action had been taken to approve or deny either the proposed manning table or proposed salaries.

PART VII. RULES AND REGULATIONS REVISION

In October of 1973, the Commission decided to re-evaluate the Rules and Regulations that had been promulgated in December of 1971.

When the first Rules and Regulations were drafted, they were done so to clarify the intent of the original law and to detail the procedures required for accreditation, as outlined in Public Law 313 (Acts of 1971). Since the agency was new and possessed no historical basis for action, it was not possible to anticipate areas of concern.

By October, 1973, after many evaluations, complaints against schools from citizens, school closings, and two court cases, it was possible to re-evaluate the Rules and Regulations. In addition, five special administrative rulings (SPARS) had been issued by the Commission, for clarification, and these were to be incorporated in the newly proposed Rules and Regulations.

The SPARS which had been issued were:

SPAR 1, issued February 25, 1972

"All FAA Flight Schools located within Indiana will be granted an exemption, upon submission of IPSAC Form EXF, valid until June 30, 1973."[7]

SPAR 2; issued February 24, 1972

"There has been a certain amount of concern expressed as to what actually constitutes an 'agent' and 'counselor.' The Commission has ruled that an 'agent' is one who conforms with the definition as found in PL 313, Section (1)(g), Rule 1.03 of the Rules and Regulations of the Commission and the term 'solicit' as defined in Black's Law Dictionary, third edition. Black's defines the term solicit as follows: 'The term implied personal petition and importunity addressed to a particular individual to do a particular thing.'

"If a person who represents a private school goes out from the school to solicit persons to enroll, then that person comes within the definition of an 'agent' and must secure an agent's permit. This would include those who attend career days, visit with students and counselors, as well as students and parents.

"If the person representing a private school merely enrolls a person who comes to the school and serves as an 'admission counselor' or 'on-premise counselor' then that person would not come within the definition of an 'agent.'

PL 313 defines an 'agent' as: Any person who, enrolls or seeks to enroll a resident of this state through personal contact, telephone, advertisement, letter or publications in a course offered by a private school or who otherwise holds himself out to the residents of this state as representing a private school.'

"It is hoped that this statement of policy by the Commission will help you determine the classification of your staff. If you determine the classification of your staff. If you are in need of additional copies of IPSAC Form AA-1, AA-1AB, AA-V and Form A, please contact this agency and we will be happy to send them to you."

SPAR 3; issued June 19, 1972

"Pursuant to IC 1971, 20-1-19(10)(d), Rule 7.03 of the Rules and Regulations . . . and Guide 7 of the Guidelines of the Federal Trade Commission, we would seek your cooperation and assistance in not accepting any advertising from private schools that do not bear an approved advertising code.

"The Code will bear the prefix AC and a four-digit suffix. For example, the code for ITT Educational Services in Indiana is AC-0148.

"No advertising code will be awarded until a school has met the requirements of the Commission. . . ."

SPAR 4; issued August 7, 1972

"If a school makes application for accreditation and the materials are in order, and there are no registered complaints or apparent reasons to deny accreditation, the Commission may grant a thirty (30)-day extension to obtain surety in the amount of 15% of the last year's tuition income for both the school and agent bond."

SPAR 5; issued August 30, 1972[8]

"Each member of the team shall receive, in addition to mileage and other expenses incurred for lodging and food, an honorarium of $75.00 per day, such remuneration to be paid from the Private School Accreditation Fund, as authorized by Section 24, Public Law 313 (IC 1971, 20-1-19)."

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[7] This SPAR was issued per an agreement between the agency and the FAA to work jointly to perfect new accreditation procedures for such schools.

[8] Note Part I, page 1, 1973 Report.

SPAR 6; issued July 1, 1973

HEA 1220 Acts of 1973

"Prescribed manner of payment and fees for Private School Evaluative Team: (1) The private school will pay for the formal team inspection as per HEA 1220 (Acts of 1973) Section 2: *Investigation Fee:* The cost of performink the team on-site investigation shall be borne by the applicant school: Provided, however, That the total cost of any inspection, including room, board, and mileage which does not necessitate travel outside the State of Indiana, shall not exceed five hundred dollars ($500.00) for any one (1) school."

(2) In-State Evaluations:

(*a*) The school shall pay an honorarium to each team member in the amount of $50.00 per day, for each day of inspection. Any part of a regular working day (8:00 A.M. to 5:00 P.M.) shall be considered to be a full working day for purposes of paying the $50.00 honorarium.

(*b*) The school shall pay ten cents (.10) a mile for the travel to and from the point of the inspection. The mileage shall be taken from the odometer reading of the team member's car and shown on IPSAC Form V–1 (4/73). Where time and distance make it necessary for a team member to join the evaluation team, air travel may be utilized, such receipt to be attached to IPSAC Form V–1 (4/73).

(*c*) The school shall pay for the board and room of the team member for the time spent on the actual school inspection. The costs of the room and board shall be listed on IPSAC Form V–1 (4/73), and the appropriate receipts should be attached to the form.

(*d*) Upon completion of the team evaluation, each team member shall prepare IPSAC Form V–1 (4/73), attaching all receipts, and submit one (1) copy to the "private school" and the duplicate to the Indiana Private School Accrediting Commission, Attention: Commissioner.

(*f*) Any staff member of the Indiana Private School Accrediting Commission who is a member of the evaluation team shall not receive the $50.00 honorarium but shall only have actual expenses paid by the "private school."

(*g*) No in-state evaluation team member will be supplied from another state, except when required to provide the expertise needed to supply a proper team for the applicant's evaluation. All team members for in-state evaluations will be drawn from various business, industrial or educational facilities located within the State of Indiana, except as noted in the preceding sentence.

(*h*) No "private school" shall be notified of the results of its inspection until all applicable fees and charges have been remitted to the Indiana Private School Accrediting Commission and all checks payable to the team members and the Commission have cleared.

(3) Out-of-State Evaluations:

(*a*) The "private school" located outside the State of Indiana which has been placed on applicant status and requested the full team evaluation, in order to continue to do business with the State of Indiana, shall pay the expenses of the team members as shown below:

(*b*) $50.00 per day honorarium.

(*c*) Mileage from home to airport (and return), parking fees, air fare to and from the inspection site.

(*d*) Room charges or board charges.

(*e*) The "private school" shall provide transportation to and from the airport, the site of lodging and the inspection site for each team member involved.

(*f*) No team member shall fly in or charge the cost of "First Class" air fare, unless no other class is available, but shall be reimbursed for his travel by the most economical manner provided by the airline and utilized by the team member in reaching his destination.

(*g*) Upon completion of the team evaluation, each team member shall prepare IPSAC Form V–2 (4/73), attaching all receipts, and submit one (1) copy to the "private school" and the duplicate to the Indiana Private School Accrediting Commission. The "private school" shall, within 72 hours, prepare the checks for each team member and send them to the Indiana Private School Accrediting Commission, Attention: Commissioner.

(*h*) Upon receipt of the checks the expenses will be verified by checking them against the duplicate IPSAC Form V–2 (4/73). The checks shall then be duly recorded on the permanent record card of the "private school," and the checks will then be mailed directly to the respective team member.

(*i*) No private school shall be notified of the results of its inspection until all applicable fees and charges have been remitted to the Indiana Private School Accrediting Commission and all checks payable to the team members and the Commission have cleared.

(*j*) Where feasible, members of the evaluative team for an out-of-state applicant school shall be recruited from the business, industrial, or educational facilities of that state.

(*k*) Any staff member of the Indiana Private School Accrediting Commission who is a member of the evaluation team shall not receive the $50.00 honorarium, but shall only have actual expenses paid by the "private school."

The entire Rules and Regulations were to be expanded. The time span from promulgation until October 1, 1973, proved that the basic Rules and Regulations were workable, but they did not go into detail where needed.*

In order to do as good a job as possible, a Task Force was appointed which was representative of the type of schools regulated, schools nationally accredited, and schools not nationally regulated. Those appointed to the Task Force were:

Mr. Joseph Fullington, Director, Lincoln Technical Institute, Indianapolis, Indiana, President, Indiana Assocation of Private Schools.

Mr. Warren Smith, President, La Salle Extension University, Chicago, Illinois, National Home Study Council.

Mr. Ray Noblett, Vice President, Lockyear College of Business, Evansville, Indiana, Association of Independent Colleges and Schools.

Mrs. Joyce Pratt, President, Carmen Career College, Indianapolis, Indiana, Non-Accredited.

Mr. Robert James, Director, ITT Technical Institute, Indianapolis, Indiana, National Association of Trade and Technical Schools.

The Task Force had a schedule of completion which was June 1, 1974, and, as of December 31, 1973, it appeared that the completion date would be delayed no longer than thirty (30) days.

PART IX. COMMITTEE OF 16

In the initial stages of the development of the agency, it was planned to appoint an advisory group. The purpose of this group was to bring together one workable unit of educational and industrial personnel from Indiana to promote the role and future of post-secondary occupational education. In late 1971 this was discussed, and it was decided to not appoint the committee until enough had been learned to appoint a representational group.

In October of 1973, the decision was made to go ahead with the appointments. Therefore, Dr. Harold Negley, State Superintendent of Public Instruction, and chairman of the Commission, with the approval of the Commission membership, authorized Commissioner Clark to notify those personnel who had been chosen by the membership to seek their agreement to serve.

The following sixteen people, eight from accredited private schools and eight from Indiana business and industry agreed to serve:

Mr. C. T. Butz, president, Indiana Business College, Indianapolis, Ind.
Mr. Troy Rogers, vice president, United Systems, Inc., Indianapolis, Ind.
Mr. Richard Freund, director of accreditation, ITT Educational Services, Indianapolis, Ind.
Mr. Louis Marks, president, Indiana College of Business and Technology, Indianapolis, Ind.
Ms. Mary Pence, director, Porter College, Indianapolis, Ind.
Mr. G. E. Hershman, president, Valparaiso Technical Institute, Valparaiso, Ind.
Mr. Harold Weiss, president, Professional Careers Institute, Indianapolis, Ind.
Mr. Donald Andorfer, International Junior College, Fort Wayne, Ind.
Mr. G. L. Olson, vice president, Irwin Management Corp. Columbus, Ind.
Dr. Reuben N. Shevitz, Eli Lilly & Co., Indianapolis, Ind.
Mr. Ralph D. Artim, vice president, Artim Transportation Systems, Inc., Hammond, Ind.
Mr. Frank J. Folz, Jr., president F. J. Folz Co., Evansville, Ind.
Mr. Frank J. Folz, Jr., president, F. J. Folz Co., Evansville, Ind.

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* As of December 31, 1973, the Rules and Regulations were expanded from seven sections to twelve.

Mr. Ray Deering, executive director, Better Business Bureau, Indianapolis, Ind.

Mrs. Mary Loskill, assistant vice president, Bankshares of Indiana, Merrillville, Ind.

Mr. Morris L. Weyand, Continental Steel Corp., Kokomo, Ind.

In December of 1973, Dr. Negley released to the news media a statement concerning the appointment of the "Committee of 16." The news release said, in part:

"The 'Committee of 16' is composed of eight members, representative of Indiana business and industry and eight members from fully accredited occupational training institutions located within the state.

"The purpose of the 'Committee of 16' is to advise the Commission in terms of current business and industrial educational needs; long range planning of vocational, technical needs for Indiana; new ways to involve business, industry, and trade associations in the utilization of graduates; and the development of 'talent pools' for use on accreditation teams."

The first meeting of the newly appointment Committee was scheduled for January 15, 1974.

PART X. GENERAL ACTIVITIES

During the course of 1973, many activities, such as news releases, membership appointments, conferences, and other such events occurred. This section will list such events as labeled "Commission—General Activities."

Membership

Mr. Millard R. Francis was re-appointed by Governor Otis R. Bowen to a four-year term. Mr. Francis fills the position, as mandated by Public Law 313 (Acts of 1971), of a representative member who shall: ". . . have been engaged in administering a managing or industrial employee training program for a period of not less than five years. . . ." Mr. Francis is a management employee of the Indianapolis Chevrolet Division of General Motors Corporation.

Conferences

During 1973, the Commissioner attended national conferences and national committees of the following groups: National Home Study Council (NHSC), National Association of Trade and Technical Schools (NATTS), Association of Independent Colleges and Schools (AICS), National Association of State Administrators and Supervisors of Private Schools (NASASPS), Educational Commission of the States (ECS), Brookings Institute, U.S. Office of Education.

In each case, these meetings dealt with post-secondary occupational education and the work of the Indiana Private School Accrediting Commission.

News releases

During 1973, many stories were written concerning the work of the agency, especially in dealing with educational frauds. Some of the newspapers in which stories appeared were: New York Times, Wall Street Journal, Chicago Times, San Antonio newspapers, Madison Wisconsin newspapers, San Francisco newspapers, Louisville Courier—Journal.

These were in addition to the coverage maintained by the newspapers and television in the Indianapolis area and state-wide.

1973 was a good year in terms of putting before the public the work of the agency.

PART XI. RESUME

During 1973, the Indiana Private School Accrediting Commission came into existence, insofar as the legislative mandate was concerned. Though hampered by an inadequate budget and staff, the agency was able, nonetheless, to evaluate many institutions and close down a few educational frauds.

It grew into a viable force and was able to assist many Hoosiers who had suffered unfortunate episodes at the hands of a few educational frauds.

Because of federal funding, the staff was increased by two members. Many new procedures were implemented, and a great number of industrial and business people were used on evaluation teams. This not only helped the agency in evaluating schools, but it also helped acquaint the personnel used with the great number of post-secondary occupational institutions located in Indiana.

In addition, the appointment of the Task Force on the Rules and Regulations and the Committee of 16 helped involve more personnel from Indiana in understanding the mission of the agency.

In all respects, 1973 was a year of positive growth for the Indiana Private School Accrediting Commission.

TRUCK DRIVER SCHOOL FRAUD INVESTIGATED

(By Dan George)

The Indiana Private School Accrediting Commission released today a partial finding on what the commission described as "a multimillion-dollar fraud."

The commission investigated for more than a year some schools that promised training as truck drivers and heavy equipment operators and jobs after training.

Joseph A. Clark, executive director of the commission, said:

"To defraud a person in this area is one of the worst crimes imaginable, for it robs them not of money which can be replaced but of their hopes, dreams and aspirations of a better life. These cannot be replaced."

Clark said three different groups or "families" operated the schools, some nationwide, but primarily based here.

They were:

1. A group operating under various names such as Empire Inc., Empire, Express, Apollo, Gemini, Ohio Valley Corp., Great Lakes Development, Consolidated Systems, Associated Systems, Bear River Corp., and American States Development. All were denied the right to do business in Indiana in 1972 and were cited by the Federal Trade Commission for unethical and deceptive practices.
2. World Wide Systems, located at 140–42 E. Washington. This company also used a variety of names such as Roads and Lands, Great Lakes Development Corp., Rapid Way, Associated Systems, Trailmasters, Coastway American Systems and New Horizons Unlimited. These companies also have been denied the right to do business by the FTC.
3. Fast Way Systems, Nationwide Development, and Piedmont Crane, known to operate in Indiana and Kentucky.

Clark said students were solicited through advertisements in the help wanted sections of newspapers. When a potential student answered the ad, the school called him long distance collect, and asked him to submit a fee of $195, which Clark described as "front money."

On payment of the fee, the student received a set of lessons and a statement he owed an additional $700 for "training." Before this, Clark said, the student is led to believe a job would be provided at $5 to $6 an hour, and that after a short training course, he would be able to repay the training costs from his wages.

REFUNDS NEVER PAID

When the student learned that it would cost more money and discovered it was a school and not a job, he would ask for a refund, but the refund was never paid.

Sometimes, Clark said, the additional $700 was paid and training given. The problem here, Clark said, was that the trainee was found "not qualified" for the job and that names given to him as potential employers either did not exist or the "employer" never heard of the school.

The commission obtained its information by investigating bank accounts, officers, telephone numbers and property holdings of these companies, Clark said. The commission also interviewed persons signing up for the training program.

Clark said 95 per cent of the schools which are regulated by the commission are good schools doing a good job of educating Hoosier citizens for future employment. "But the 5 per cent who are bad are really bad and generate about 85 per cent of the publicity."

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Operating Criteria for Accredited Institutions

THE ACCREDITING COMMISSION OF THE ASSOCIATION OF INDEPENDENT COLLEGES AND SCHOOLS

Title I—Statement of Policies

Chapter 1—The Organization and Function of the Accrediting Commission.
Chapter 2—Bases of Eligibility for Evaluation and Accreditation of All Types of Institutions.
Chapter 3—General Classification of Schools and Colleges.
Chapter 4—Definitions, Interpretations, and Guidelines.
Chapter 5—Fee Schedule.

CHAPTER 1—THE ORGANIZATION AND FUNCTION OF THE ACCREDITING COMMISSION

1-1-100—Function

The Accrediting Commission is a duly constituted accrediting agency, sponsored by the Association of Independent Colleges and Schools, a national association of independent business schools. The Accrediting Commission has complete autonomy with respect to, and is limited to the sole function, where warranted, of accrediting institutions predominantly organized to train students for business careers.

Since 1956, The Accrediting Commission of the Association of Independent Colleges and Schools has been officially recognized by the U.S. Commissioner of Education as the only national accrediting agency for such post-secondary and collegiate special purpose institutions. Chapter 36, Title 38, U.S. Code, and subsequent legislation direct the United States Office of Education to develop criteria for, and to maintain a list of, such recognized accrediting agencies.

The Commission is charged with the responsibility of extending its services to institutions in the United States. Where appropriate, the Commission may also extend its services to institutions in Canada and Latin America. The Commission meets thrice annually or more often, if necessary, to conduct official business.

1-1-101—Organization

There shall be three Councils and three standing Committees of the Accrediting Commission; namely, a Council on Schools, a Council on Colleges, a Council on Research and Service, an Executive Committee, a Financial Review Committee, and a Criteria Review Committee. The Executive Committee of the Commission consists of the Chairman of the Commission, the Chairman of the Council on Schools, the Chairman of the Council on Colleges, the Chairman of the Council on Research and Service and the immediate past Chairman of the Commission.

The Council on Schools is charged with the responsibility of reviewing noncollegiate post-high school institutions predominantly organized for vocational training of students for career patterns in business. The Council on Colleges is charged with the responsibility of reviewing collegiate institutions predominantly organized for vocational training of students for career patterns in business. The Council on Research and Service is charged with planning and carrying forward proposals which will assist the Commission in the general improvement of the accrediting function.

Each Council considers its two principal concerns in accreditation to be the improvement of educational quality of the institutions and service to the public.

1-1-102—Authority

The exercise of authority granted to and the performance of all functions of the Executive Committee and the Councils on Schools and Colleges, as provided for in these Criteria, shall at all times be subject to review and approval by the full Board of Commissioners of The Accrediting Commission of AICS, pursuant to the Bylaws of the Association.

The Accrediting Commission develops criteria for sound and responsible education for business, arranges evaluation in the light of these criteria by a team of qualified evaluators, and, after full evaluation, decides whether or not to accredit the applicant institution.

1-1-103—Responsibility

Accreditation is an independent, authentic appraisal of an institution; in fact, the professional stature and integrity of an institution is judged by its accreditation. The Accrediting Commission of AICS provides a reliable measure of excellence based on educational competence, thus fulfilling a responsibility to guidance counselors, parents, prospective students, and the American public.

Accreditation is valuable to educational agencies and authorities in professional appraisal and identification of educational institutions; to employers as an indication of the strength and reliability of the instruction which potential employees have received; and especially, to the independent schools themselves in the maintenance of continued high standards of excellence in business training programs.

1-1-104—Visitation teams

Visitation teams inspect each applicant for accreditation. Serving as evaluators are college and university presidents, deans, department heads, professors from related fields of education, business executives and professional men, as well as personnel from state departments of education and other inspection and approval bodies. Included on visitation teams are representatives from institutions accredited by The Accrediting Commission.

The function of the visitation team is to verify the previously submitted self-evaluation and to report the facts revealed by personal, on-site inspection in an effort to determine how well the institution fulfills its stated objectives as set forth in its own self-evaluation reports. Action by the Commission to accredit, not to accredit, or renew accreditation is determined by complete study of the self-evaluation report prepared by the applicant institution, by the report of the visitation team, and by the response of the institution to that report.

CHAPTER 2—BASES OF ELIGIBILITY FOR EVALUATION AND ACCREDITION OF ALL TYPES OF INSTITUTIONS

1-2-100—Eligibility requirements

To be eligible for consideration for accreditation, an institution must satisfy the following requirements:

(a) The institution or department shall be predominantly organized to train students for business careers.

(b) The institution or department ordinarily should have in operation at least one residence program of instruction of not less than one academic year in length with graduates from such programs.

(c) The educational program shall be on the post-secondary or collegiate level.

(d) Education shall be the principal activity of the institution.

(e) The principal program of the institution shall be a residence program.

(f) The institution shall have been established for a period of at least two years.

(g) A separate department or division having additional or different objectives may be accredited by the Commission upon proper application and evaluation, provided that (except for the difference in objectives and the implementation thereof) the entire department is accreditable within the framework and spirit of the Criteria of the Commission, and the institution is predominantly organized for the purpose of training for business careers.

(h) An institution operated as a unit in an organization consisting of two or more schools or colleges shall maintain a separate teaching staff and class schedule.

(i) The institution shall be legally organized and authorized to conduct its program under the laws of its own state and community. Where state laws are silent, the institution shall conform to accepted organization and practices for comparable institutions in the general geographic area.

(j) The inspection and evaluation of the institution must be specifically authorized by the chief executive officer of the institution.

(k) The enrollment in the institution must be sufficient to support regularly scheduled and conducted class and laboratory work and to insure reasonable standards of instruction.

CHAPTER 3—GENERAL CLASSIFICATION OF SCHOOLS AND COLLEGES

1-3-100—General classification

Studies of post-secondary institutions predominantly organized for training for business careers indicate two widely used types of curriculum organization. These two philosophies underlie programs of business schools on the one hand and colleges on the other. When an institution represents a mixture of the two patterns, the Commission classifies the institution in the category which, in its judgment, best describes the institution.

The Commission classifies accredited institutions as Business Schools, Junior Colleges of Business, and Senior Colleges of Business.

1-3-101—Business schools

(a) A business school may be a specialized institution which may state objectives in terms of vocational competence, set skill goals for completion of courses, and emphasize placement as the educational objectives. Curricula are relatively short and intensive leading to one or a number of closely related occupational objectives. For example, a secretarial school might offer programs of training leading to positions as a clerk-typist, receptionist, secretary, stenographer, or typist. A data processing school might offer training leading to positions such as card punch operator, programmer, or unit record operator. Graduation is achieved when a measurable skill level is achieved. The programs of such institutions usually do not exceed one academic year in length.

(b) A business school may also be multi-pupose and offer a variety of training in several fields, with training objectives which are primarily vocational in nature. Such an institution will usually offer several curricula in the business field, such as a secretarial training program, an accounting program, a business administration program, and often a program in data processing. Semester, quarter, or term operation may be utilized with grades and hours of credit to determine completion of all except strictly skill subjects.

(c) A business school may also offer college-level instruction measured on a credit hour basis with one or more programs of at least two school years in length which require an average student to spend 72 weeks of concentrated effort in full-time attendance for its completion. At least half of the subjects in the second year courses are of advanced difficulty predicted upon specific first year prerequisites. Only moderate emphasis is placed on general educational development. The objectives of the program may be vocational competence and/or the transfer of credits, or qualification for state-conferred or state-authorized designations or license upon examination.

1-3-102—Colleges

(a) *Junior Colleges of Business.*—A junior college of business is a two-year college devoted predominantly or substantially to education for business at the college level. In either case, its principal educational objective shall be to provide specialized instruction within a business curriculum sufficient to insure adequate preparation for an appropriate, semiprofessional business career.

(b) *Senior Colleges of Business.*—A senior college of business is a four-year collegiate institution devoted predominantly or substantially to professional business administration education at the college level. A separately administered four-year department or division or an upper division college offering programs at the junior and senior levels (within specialized institutions also having other objectives) would be included in this definition. Only the business department of institutions having more than one college is recognized for accreditation.

CHAPTER 4—DEFINITIONS, INTERPRETATIONS, AND GUIDELINES

1-4-100—Publications

The Commission publishes reports of its operations, an official *Directory of Accredited Institutions*, and the Criteria upon which accreditation is based. The Commission also publishes statements of policy and guidelines that provide more detailed information, including a checklist to aid the institution and the visitation team in the evaluation of a department or of an institution. These documents are furnished to institutions which are or which may be seeking accreditation and are available on request to the general public.

1-4-101—Application guidelines

An institution's application for accreditation shall be supported by documentation of its policies, practices, educational effectiveness, and financial stability which are carefully evaluated by the Commission from the point of view of the classification requested. If accreditation is granted, note of this fact of accreditation may then be made by the institution in its catalog, advertising, and other publications, subject to limitations on such usage set forth in the publication on ethical criteria.

1-4-102—Branch facility

(a) A branch facility or campus of an accredited institution is within the scope of the accreditation of the parent institution provided that:

(1) The branch has been established to meet a specific need or condition.

(2) The two locations constitute one educational institution except for geographic location.

(3) The branch is recognized as such by the Veterans Administration, state approval agencies, or other appropriate authority, if applicable.

(4) That application is made to and approved by the Commission for Branch Campus Status.

(5) If the institution does not meet the above Criteria, it is, in fact, one of a chain of schools and should be separately accredited.

(b) Branch operations shall be listed as such in the Directory of Accredited Institutions published by the Commission.

(1) A report of operations of a branch campus shall be included in and made a part of the Annual Report of the parent institution.

(2) A branch campus will be subject to visitation and evaluation as a part of any inspection or reinspection of the parent institution by the Commission, or a special inspection of the branch facility only, and the additional costs of such evaluation shall be paid by the institution.

CHAPTER 5—FEE SCHEDULE

1-5-100. Application fee (nonrefundable and good for one year only). All Institutions, $50.00.

1-5-101. Basic inspection or reinspection fee (must be paid in advance of inspection).

(a) Business Schools (requires a team of at least two evaluators spending one day), $300.00.

(b) Junior Colleges of Business (requires a team of at least three evaluators spending two days), $575.00.

(c) Senior Colleges of Business (requires a team of at least four evaluators spending three days), $925.00.

(d) Accredited Institutions with Branch Facilities (for each branch campus inspected), $150.00.

1-5-102. Expenses of inspection team—School will be invoiced separately for expenses of inspection team members.

1-5-103. Fee Schedule for All Schools:

Gross tuition receipts:	*Annual fee*
Less than $50,000	$225
$50,000 but less than $100,000	450
$100,000 but less than $150,000	625
$150,000 but less than $200,000	800
$200,000 but less than $300,000	850
$300,000 but less than $400,000	900
$400,000 but less than $500,000	950
$500,000 but less than $600,000	1,000
$600,000 but less than $700,000	1,050
$700,000 but less than $800,000	1,100
$800,000 but less than $900,000	1,150
$900,000 but less than $1,000,000	1,200
Over $1,000,000 add $100 for each additional $500,000 in gross tuition receipts	

Fees are payable September 1 and become delinquent October 15. For newly accredited institutions fees are computed on a quarterly pro rata basis.

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TITLE II—STATEMENT OF PROCEDURES

Chapter 1—The Accrediting Process.
Chapter 2—Initial Applications.
Chapter 3—Substantial Institutional Changes.
Chapter 4—Application for Reaccreditation.
Chapter 5—Negative Actions: Accreditation Withheld; Admonition, Probation, Censure; and Accreditation Withdrawn.
Chapter 6—Review Board of Appeals.
Chapter 7—Publication of Decisions.

PREAMBLE

The essence of the philosophy which undergirds the criteria, policies, and procedures of the Accrediting Commission is an unyielding commitment to a high standard of professional responsibility and a stringent code of ethics. The Commission views accreditation as an ongoing process through which peer institutions exemplify a voluntary commitment to actions which are perceived to be in the best interests of society, students, and other institutions. Accreditation should transcend the static relationships between the regulator and the regulated. It is a professional and ethical relationship which surpasses a procrustean concern with the mere letter of the law. It seeks not conformity with minimum requirements but a striving for excellence.

Only institutions which are willing to enter into this sort of relationship with the Commission and its constituent institutions should seek accreditation. The Commission holds responsible each institution it has accredited for being knowledgeable about, and complying with, both the letter and the spirit of its criteria and policies and procedures. Noncompliance with either the letter or the spirit are viewed gravely by the Commission.

The Commission recognizes that from time to time there will be institutions that will not meet its standards. In such cases, the interests of society, students, and constituent institutions make it incumbent that appropriate measures be taken. In taking such action, the Commission acknowledges that its role is necessarily adjudicatory in that complete and accurate information must be developed on which to base its findings and conclusions, that the institutions involved in such actions should be afforded an opportunity to be heard on the issues, and that decisions must be made and enforced. The Commission will seek to follow procedures that will be expeditious and efficacious while assuring fundamental fairness to the affected institutions and individuals.

The Commission is mindful of its obligation to protect the public and its various constituencies. To maintain the integrity of its accrediting function, while safeguarding the rights of applicants and member institutions, the Commission has adopted procedures set forth on the following pages.

CHAPTER 1—THE ACCREDITING PROCESS

2-1-101.—The Commission publishes reports of its operations, an official *Directory of Accredited Institutions*, and the Criteria upon which accreditation is based. The Commission also publishes statements of policy and guidelines that provide more detailed information, including a checklist to aid the institution and the visitation team in the evaluation of a department or of an institution.

These documents are furnished to institutions which are, or which may be, seeking accreditation and are available on request to interested persons and institutions.

2-1-102.—An institution's application for accreditation shall be supported by documentation of its policies, practices, educational effectiveness, and financial stability which are carefully evaluated by the Commission from the point of view of the classification requested. If accreditation is granted, note of this fact of accreditation may then be made by the institution in its catalog, advertising, and other publications, subject to limitations on such usage set forth in the publication on ethical criteria.

2-1-103.—The Commission may require reinspection or written data concerning the institution and its program at any time.

CHAPTER 2—INITIAL APPLICATIONS

2-2-100.—An educational institution seeking accreditation either initially or for a different classification shall proceed as follows:

2-2-101.—The institution is encouraged to communicate with the Executive Secretary of the Commission to become thoroughly informed concerning the accreditation process. An outline of the sequence of events in the accrediting process, along with a schedule of anticipated dates of Commission meetings, is available on request.

2-2-102.—In a letter to the Executive Secretary of the Commission, the institution may request a preliminary review to determine whether or not it is ready to apply for accreditation.

2-2-103.—The institution shall submit, on forms supplied by the Commission, a formal application for accreditation in the desired category. The points covered in the Statement of Policies, Chapter 2, "Bases of Eligibility" shall be certified by a responsible official of the institution and submitted with supporting documents and the nonrefundable application fee.

2-2-104.—If examination of the formal application and the supporting documents indicates that the applicant institution is ready for detailed evaluation, the Commission will mail to the institution a self-evaluation questionnaire to be completed and returned. This evidence of self-evaluation is highly important.

2-2-105.—A personal, on-site evaluation is made by a visitation team appointed by the Commission. The executed application and self-evaluation forms will be supplied to the visitation team for study prior to the on-site inspection, and for comparison and verification during the inspection.

Visitation teams are constituted as follows:

(a) Business Schools: At least one representative of the institutions accredited by the Commission and at least one member from outside the accredited group.

(b) Junior Colleges of Business: At least two representatives of institutions accredited by the Commission and at least one educator from outside the accredited group.

(c) Senior Colleges of Business: At least two representatives of institutions accredited by the Commission and at least two educators from outside the accredited group.

(d) Additional team members may be assigned from any category for the evaluation of any type of institution and its programs at the discretion of the Commission. The size of the institution, as well as other factors including the specialized volume of its program offerings, will be considered in selecting the number of team members. The expenses of the visitation team shall be borne by the applicant institution.

2-2-106.—During the course of the visit, provisions shall be made for adequate consultation between the team of visitors and the faculty, the administrative staff, and the students. The visitation team prepares a written report covering each item investigated and other information it believes pertinent to accurate evaluation of the particular institution. Its written report is sent to the Commission. A preliminary review of the report will be made by the Executive Secretary of the Commission who may call for such other information as is necessary.

2-2-107.—As a result of the accreditation visit, a written report is made to the chief executive officer of the institution with comments on the institution's areas of strengths and areas of weaknesses. The chief executive officer of the institution is invited to comment on the report and to file supplemental materials pertinent to the facts and conclusions in the written report. The report shall then be assigned to a recommendation team appointed by the Chairman of the Commission. Following this, the report and all supplemental materials are considered by the appropriate Council and the full Commission.

2-2-108.—The appropriate Council of the Commission shall consider the completed evaluation study, including the report of the review team, and any comments that may have been made by the chief executive officer of the institution. It will then make recommendations for consideration by the full Commission. This may involve the granting of accreditation with or without conditions precedent or stipulations or the withholding of accreditation either by deferral or denial.

2-2-109.—The full Commission will reach its decision drawing upon the entire file. Only the full Commission has the authority to grant or withhold accreditation and to establish conditions precedent or to define stipulations. Institutions which are judged worthy of accreditation and which are current in fees and inspection expenses due will receive a notice and a Certificate of Accreditation.

2-2-110.—When deficiencies have been called to the attention of an institution, it is the institution's responsibility to present evidence to the Commission of their correction. A letter of intent will not be accepted as such evidence. In the case of minor deficiencies, upon receipt of evidence that such deficiences have been remedied, the Executive Secretary may notify the institution of its accreditation without further action by the Commission.

2-2-111.—If accreditation is withheld, the Commission will give written reasons for either the deferral or the denial of the applicant. A deferral is an interlocutory decision which is intended to provide further guidance to the applicant whereby deficiences might be cured to justify further recommendation of the application for accreditation. Ordinarily, the remedy for deferral lies not in the appeal but in evidence of accomplishment.

2-2-112.—When accreditation is denied, an applicant will be given the opportunity to present its case in a fair and impartial hearing before the full Commission. See Chapter 5—Negative Actions.

2-2-113.—Each accredited institution will file with the Commission, on regular report forms provided by the Commission, an annual report of its operations for the preceding academic or calendar year. The report shall consist of two parts: (1) academic, and (2) financial. The report shall be accurate, signed by the chief executive officer of the institution, and submitted at a time and in the manner prescribed by the Commission.

CHAPTER 3—SUBSTANTIAL INSTITUTIONAL CHANGES

2-3-101—Institutional administration

Because the factors considered in granting accreditation include facilities, faculty, financial stability, management, ownership, and program, the Commission shall be notified immediately by the institution of any substantial or significant changes which occur in these or other material factors affecting the administration, governance, or control of the institution.

2-3-102—Educational programs

In like manner, the Commission is concerned with all education programs offered by the institution because accreditation is institutional in nature. The Commission will accept for evaluation specialized courses offered in schools it has already institutionally accredited.

Institutions are required to file with the Commission complete information about new courses or programs within ninety (90) days of the first offering. To the degree it deems necessary, which may include an evaluation by a qualified representative of the Commission, the Commission may accept such programs as within the scope of the institutional accreditation.

Only after a determination of acceptability by the Commission and notice to the institution of its decision may the institution consider such courses and programs within the scope of its institutional accreditation. If approval is withheld, it may be treated as a deferral or denial pursuant to Sections 2-2-111 or 2-2-112.

2-3-103—Change of name or location

When an accredited institution changes its name or location, the Commission shall be notified immediately. In such changes, the accreditation of the institution will, under routine procedures, be automatically suspended 30 days following the date of the next regularly scheduled meeting of the Commission unless the institution can justify the change to the satisfaction of the Commission. Upon receipt of notice of such changes the institution will be notified of its right to show cause, either in writing or in person, at the next regular meeting of the Commission, why the suspension should not go into effect.

2-3-104—Change in ownership control

(a) Automatic Discontinuation.—Accreditation by the Commission is an express grant to a particular institution or department of explicit ownership control. Any change in ownership control automatically results in a self-executing immediate discontinuation of the grant of accreditation which may be regained only upon application to and at the discretion of the Commission. Because the discontinuation results without action or use of discretion on the part of the Commission a negative action such as the withdrawal of accreditation pursuant to Section 2-5-104 *et seq* has not occurred.

(b) Reinstatement.—However when such discontinuance occurs, the accreditation may be reinstated at the discretion of the Commission at such time and on such terms and conditions as it deems appropriate with the burden of coming forward and the burden of proof completely upon the institution to apply for reinstatement. When the Commission is not in session the Executive Committee is authorized to exercise the same discretion to grant a temporary reinstatement of the accreditation for a period sufficient to permit the Commission to consider the application but for a period not to exceed nine months from the date of the application for reinstatement.

(c) Effect.—Until the reinstatement has been granted by either the Commission or its Executive Committee the accreditation of the institution remains in abeyance. If the application for reinstatement is denied, the matter shall be treated as a deferral or a denial as the case may be pursuant to Section 2-5-102 concerning withholding of accreditation.

CHAPTER 4—APPLICATION FOR REACCREDITATION

2-4-101.—The grant of accreditation by the Commission is for a specific period of time. Such a grant may not be longer than six years.

2-4-102.—Prior to the termination of the period for which accreditation has been granted, it is the responsibility of the institution to file a new application for a new grant of accreditation. The accreditation granted previously expires automatically with the passage of time unless extended by special decision of the Commission upon timely petition of the reapplicant. Such an extension of the original grant cannot exceed one year and not more than two such extensions may be granted.

2-4-103.—The Commission will not consider an application for reaccreditation unless and until all reports are current and all fees are paid. The institution must also submit a statement of the disposition made by any stipulations or recommendations issued in connection with previous accreditation evaluations, as well as a statement covering changes, new programs, and improvements since the last inspection.

2-4-104.—The process of reapplication is the same as the steps described for initial applications beginning with Section 2-2-103 of Chapter 2.

2-4-105.—A decision by the Commission based upon the reapplication and reinspection not to grant accreditation for a new period is considered as a withholding of accreditation. It is not the withdrawal of the previous grant of accreditation because that will expire automatically with the passage of time.

As in the case of a new applicant, in the event the reapplication is withheld, the Commission will give written reasons for the deferral or the denial. The matter will be governed by the procedure described in Chapter 2, Initial Applications; Chapter 5, Negative Actions; and Chapter 6, Appeals.

CHAPTER 5—NEGATIVE ACTIONS

2-5-101—Classifications

When measured against the Criteria, an institution, in the opinion of the Commission, may be found wanting. The gravity of the deficiency determines whether or not the judgment of the Commission may result in a negative action of which there are three. They are:

(a) To *withhold* accreditation from an initial applicant or reapplicant institution. This is accomplished either by deferral or denial.

(b) To *censure* an institution with an admonition to comply with the Criteria by refraining from some proscribed activity or initiating some prescribed activity.

(c) To *withdraw* accreditation from an institution either by:

(1) suspension, or,

(2) revocation.

The following diagram illustrates the generic concept of negative actions and the specific categories:

NEGATIVE ACTIONS

Withhold		Probation, admonition, and censure		Withdraw	
Defer	Deny	Refrain from some activity	Initiate some activity	Suspend	Revoke.

2-5-102—Accreditation withheld

The accreditation of an initial applicant or of a reapplicant institution may be withheld by a deferral or a denial. In either case the Commission will give the institution written reasons for the withholding.

Deferral.—A deferral is not a final decision and is not ordinarily appealable. It is interlocutory in nature to provide further guidance to the institution whereby deficiencies might be cured.

Denial.—This is a final decision and the institution is entitled to an opportunity to present its case in a fair and impartial hearing before the Commission at its next regularly scheduled meeting.

An institution claiming to be aggrieved by a decision of the Commission which has denied accreditation, denied a change of classification, or denied the approval for the offering of a degree may appeal the issue. It has a right to be heard at the next regularly scheduled meeting of the full Commission.

The request for such a hearing must be in writing and signed by the chief executive officer of the institution. The arguments and reasons in support of the request must be limited to the points enumerated in the Commission's written statement to the institution of the action taken.

At the hearing the institution may present only evidence not already considered. The school may send one or more representatives including counsel to present its argument in opposition to or extenuation of the previous decision by which it claims to be aggrieved. At its expense it may provide for the reporting or recording of the hearing.

The Commission then may modify or reverse its previous decision. If the denial is affirmed the matter is final and no further remedy is available. The Review Board does not have the jurisdiction to review the negative decision to withhold.

The institution may reapply after the lapse of a full calendar year from the date of the notification of affirmation of the denial of accreditation.

2-5-103—Admonition, probation, and censure

When in the judgment of the Commission an accredited institution has been found to have deviated from the Criteria to an extent not presently justifying withdrawal of accreditation, the Commission may place the institution on probation for a period not to exceed nine months.

The institution will be *admonished* to (a) Explain, justify, or correct the deficiences, or (b) Refrain from some proscribed activity, or (c) Initiate some prescribed activity.

During the period of *probation* the accredited status of the institution is subject to special scrutiny. It must be reviewed by the full Commission at least every nine months.

Censure may be justified for failure to comply with the admonition. It is also warranted when it is determined that the institution, though not currently in violation of the Criteria, has in the past been guilty of serious deviation. An institution subject to a judgment of censure is entitled to notice, hearing, and counsel. A judgment of censure may be appealed to the Review Board.

Neither probation nor admonition are to be considered punitive in nature. It is the censure of the institution which exemplifies the onus.

2-5-104—Accreditation withdrawn

The accreditation of an institution may be withdrawn or reclassified, either by suspension or by revocation, because in the judgment of the Commission it is not currently in compliance with the Criteria, or though in current compliance with the Criteria, it has been found to have been so substantially in deviation from or in noncompliance with the Criteria that at the time withdrawal of accreditation would have been justified.

By way of illustration the Commission may withdraw accreditation or reclassify the accreditation for such reasons as:

(a) The institution, when reevaluated, no longer meets an acceptable standard of quality in light of current Criteria of the Commission.

(b) The institution fails to file a satisfactory annual report as required by the Commission.

(c) Any substantial or significant change without notice to the Commission in the operation, structure, or program of the institution including such matters as change or relocation of control, administration, management, or facilities.

(d) The institution fails to respond or to aid in completing arrangements for a scheduled evaluation.

(e) The institution has deviated from either the letter or the spirit of the Criteria or directives of the Commission.

2-5-105—Procedural guarantees

In all cases where accreditation is subject to withdrawal, either by suspension or revocation, the institution will be accorded the following procedural guarantees:

(a) Opportunity for a hearing before the Board of Commissioners on all material issues in controversy,

(b) Written prior notice of the proceedings, the charges levied, and the criteria by which the school is to be judged, and

(c) A decision on the record and a statement of reasons therefor.

(d) Further, the institution is accorded the privilege to have an appeal of a decision to withdraw, except for a revocation arising out of a suspension order, heard by a Review Board which must affirm the decision prior to publication.

2-5-106—Hearings

At the appointed hearing the school, through its representatives or counsel, shall have the right to hear the evidence and the facts concerning the alleged noncompliance with the Criteria, to raise all reasonable questions, and to present evidence in opposition thereto or in extenuation. At its expense, it may provide for the reporting or recording of the hearing.

2-5-107—Revocation and suspension: distinction

If in the judgment of the Commission the institution has not satisfactorily explained or justified and corrected matters of which it has been given notice, the accreditation may be withdrawn or the classification changed. A judgment of revocation means that an institution must start anew and undergo completely the entire accreditation process to once again be accredited. A judgment of suspension shall specify the time, conditions, and terms by which its accreditation can be regained upon compliance with the specified deficiencies.

2-5-108—Compliance with suspension order

A suspension order shall be vacated by the Commission if it determines that the institution has complied with the terms and conditions of the suspension order within the specified time. In such cases it is incumbent upon the institution to file appropriate written evidence of compliance for consideration by the Commission at a regularly scheduled meeting within the specified time period.

The Commission determination shall not be subject to review by the Review Board.

2-5-109—Appeals

An institution claiming to be aggrieved by a decision of the Commission to withdraw, except for a revocation arising out of a suspension order, accreditation or to reclassify the accreditation of the institution may appeal the issue to the Review Board established for this purpose.

CHAPTER 6—REVIEW BOARD FOR APPEALS

2-6-101—Appointment of members

A Review Board comprised of five persons, none of whom need be a Designated Delegate, will be appointed by the Commission. The Commission will appoint the Chairman. Terms of appointments are fixed by the Commission.

The qualifications of each person appointed to the Review Board must include knowledge of, experience with, and training in the accreditation of educational institutions. Appointees may or may not be serving currently as a Commissioner.

2-6-102—Jurisdiction and authority

The Review Board is empowered to review, upon notice of appeal timely filed, the following negative actions of the Commission:

(a) Admonition, probation, and censure,

(b) Withdrawal of accreditation, except for a revocation arising out of a suspension order.

(c) Reclassification of accreditation.

It has the authority to: (a) Affirm the decision of the Commission, (b) Remand the case to the Commission with recommendations for further consideration, if it finds the appeal to have been well founded or justified.

In any case remanded to the Commission the recommendations of the Review Board shall not bind or limit the Commission in any way.

2-6-103—Nonpublication of negative action pending appeal

A negative action subject to appeal to the Review Board shall be stayed automatically and shall not be published pending expiration of the time for appeal. Where the decision of the Commission is affirmed by the Review Board, the appeal shall be deemed to be finally disposed of upon issuance of the Review Board's decision. A notice of appeal timely filed shall further stay such action and bar publication thereof pending final disposition of the appeal.

An appeal remanded to the Commission by the Review Board shall be deemed to be finally disposed of when the Commission takes final action on remand.

2-6-104—Time for filing appeal

To exercise its right of appeal, the institution must file with the Commission a written notice signed by the chief executive of the institution within twenty days after the date of the notice of the negative action taken by the Commission.

2-6-105—Grounds of appeal

An appeal of a negative action by the Commission must be based on the grounds that such decision was:

(a) arbitrary, capricious, or otherwise in substantial disregard of the criteria or procedures of the Commission, or,

(b) not supported by substantial evidence in the record on which the Commission took the negative action.

2-6-106—Review limited to record

The Review Board has no jurisdiction or authority concerning the reasonableness of the accreditation criteria and procedures. The Review Board will not consider any evidence that was *not* in the record before the Commission.

2-6-107—Hearing of appeal

The hearing will be held at a time and place designated by the Chairman of the Review Board. Three members constitute a quorum.

Briefs may be submitted by the institution and the Commmission, prior to the hearing, in a manner prescribed by the Review Board. The Chairman or the member of the Review Board designated by him in his absence will preside at the hearing. He will rule upon all procedural matters.

The hearing shall be as informal as may be reasonable and appropriate under the circumstances. A party may appear by counsel or other representative.

The Chairman of the Review Board may promulgate such additional rules of procedure for the scheduling and conduct of hearings as are not inconsistent with these procedures.

2-6-108—Decision of the review board; publication by Commission

Every decision must have the concurrence of a majority of the Review Board. Within a reasonable time after the conclusion of the hearing, the hearing panel shall issue, in writing, its decision with a statement of its reasons therefor and recommendation, if any, to the Commission. The decision will indicate the members of the Review Board concurring therein. Dissenting opinions may be filed. The majority decision with dissenting opinions, if any, will be furnished to the complaining institution. Publication is the responsibility of the Accrediting Commission.

2-6-109—Commission receipt of review board decisions

Decisions by the Review Board are transmitted to the Accrediting Commission for disposition and publication if appropriate.

If the Review Board affirms the decision complained of, there is no further remedy available within these procedures. The decision is final.

If the Review Board remands the matter with recommendations for further consideration by the Commission because the appeal was justified or well founded the matter shall be deemed to be finally disposed of when the Commission takes final action on remand.

2-6-110—Expenses of appeal hearing; deposit

The institution will bear the following expenses in connection with the appeal: (a) Travel and subsistence of the Board members participating in the hearing, (b) cost of the hearing room, and (c) all stenographic reporting costs.

At the request of the institution the hearing shall be stenographically recorded. Although the institution is fully responsible directly to the stenographic reporter for all costs, the selection of the stenographic reporter is at the discretion of the Review Board. At the expense of the institution it must provide to the Review Board a copy of the transcript.

An appeals fee of $250 must be deposited with the Accrediting Commission at the time of the filing of the notice of appeal described in Section 6-104. Prior to the hearings the Commission may increase the amount of the fee to meet a realistic estimate of the expense involved. The advance fee is not applicable to stenographic reporting costs. Such costs are borne by and are a direct responsibility of the institution.

CHAPTER 7—PUBLICATION OF DECISIONS

2-7-101.—Among the responsibilities of the Accrediting Commission are government-delegated functions which are utilized in the determination of institutional and student eligibility for participation in certain federal-state programs. It is in the public interest that the Commission observe the procedural safeguards of due process to which an accredited institution is entitled and at the same time expeditiously determine and communicate decisions affecting eligibility for federal-state programs to a variety of concerned publics including students, employers, financial institutions, licensing bodies, and federal and state agencies. As a practical matter, a decision to withdraw or reclassify accreditation or to censure an institution is effective only when it can be communicated publicly. Interested federal and state agencies will be notified as soon as such a decision has become final.

2-7-102.—The Commission regularly meets thrice yearly. The Revview Board may be convened as necessary. Such an arrangement is believed to balance equity for the school with expeditious determination for the public.

TITLE III—EVALUATIVE CRITERIA

Chapter 1—General Criteria Applicable to all Institutions.
Part 1—Philosophy and Objectives.
Part 2—The Educational Program.
Part 3—Organization, Administration, and Control.
Part 4—The Academic Staff: Instruction.
Part 5—The Administrative Staff.
Part 6—The Library and Instructional Materials.
Part 7—Financial Relations with Students and Ethical Standards.
Part 8—The School Plant.
Part 9—Admission, Graduation; Student Services.
Part 10—Publications.

Chapter 2—(Reserved for Future Use).

Chapter 3—Additional Criteria for Junior Colleges of Business Eligible Institutions.
Part 1—Philosophy and Objectives.
Part 2—The Educational Program.
Part 3—Organization, Administration, and Control.

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CHAPTER 1—GENERAL CRITERIA APPLICABLE TO ALL INSTITUTIONS

NOTE.—See Sections 3-3-100 to 3-4-500 for additional Criteria for Junior and Senior Colleges of Business.

3-1-100—Philosophy and objectives

Each institution should clearly define its objectives and should incorporate this definition into a statement which is a pronouncement of its role in the educational world. The institution's integrity is measured not only in terms of its stated purpose, but also in terms of its conscientious endeavor to fulfill this purpose.

It is recognized that the membership consists of a diversity and variety of institutions ranging from those which have a singleness of purpose to those which are highly complex; from those which are nonprofit to those which are privately owned. Each institution, however, should have a well-developed and available statement of objectives, appropriate for its specific educational role. This statement should be clear and concise, and should represent not only the concept, but also the practice of the institution.

The formulation of the statement of objectives is a major decision and basic changes should be made only after proper consideration and approval by the governing body. The faculty should be encouraged to take the initiative in recommending changes.

An institution should also examine its statement of objectives periodically. This reevaluation should include the changes which have taken place internally as well as the changing responsibilities of the institution to its constituency.

The institution's catalog should reflect accurately the institution's statement of objectives. All institutional programs should be designed to achieve the stated purpose. The faculty, financial resources, physical plant, and educational program should be adequate and appropriate to meet the stated objectives of the institution.

3-1-200—The educational program

The educational program of any good school should impart knowledge and develop skills; but the development of interests, appreciations, ideals, attitudes, and an understanding of the functioning of all these elements in a democratic society should also be encouraged in a sound educational program. The following principles are presented as guides to assist institutions in securing balance in their total educational program:

3-1-201—Basic guides

(a) The educational program should be developed from the institution's philosophy and from a knowledge of the needs of its students.

(b) The program of an institution shall be appropriate to serve the educational needs of the fields it serves.

(c) The institution's program shall be sufficiently broad to serve both general and specialized purposes of its students. It should provide a variety of learning experiences through classroom, extra-classroom, guidance, and personal counseling services.

(d) The formation of guiding policies and the design of an institution's educational program shall provide opportunities for cooperative participation by laymen, students, administrators, and faculty members.

(e) Provisions shall be made for individual differences among students, with respect to talent, intellectual capacities, and future interests.

(f) Flexibility in organization and administration shall be provided to serve varying groups and situations.

(g)Resources of the community shall be utilized discriminately to enrich the program.

(h) Each institution shall make a planned and continuous evaluation of the effectiveness of its educational program in accomplishing the objectives or outcomes upon which its staff and board have agreed.

(i) An institution shall be expected to provide not only an initial orientation program but also a continuing program designed to enable the students to adjust to and cope successfully with their work and personal problems.

3-1-202—Curriculum patterns

Schools should plan their curriculum patterns to serve their own students and communities; consequently, the Commission allows considerable latitude in matters of curriculum and course content.

(a) The curricula shall be directly related to the institution's published objectives and shall give evidence of a well-organized sequence of appropriate subjects leading to occupational competence. The curricula shall be published in the institution's catalog or other such publication and shall state objectives specific to each curriculum.

(b) The courses offered shall be available when required by the student in the normal pursuit of a course of study. Prerequisites must be indicated. The prerequisite system must be administered in a fashion that assures proper qualifications of students in any given class, appropriate allowance of credit to students for subject matter previously mastered in post-secondary educational institutions, and an increasing level of difficulty as the student progresses.

(c) The faculty shall participate in a system of continuous curricula revision and improvement. Institutions are encouraged to consider curriculum changes designed to fit students' needs as determined by a survey or other fact-gathering procedure, such as community surveys related to educational needs.

(d) The curricula shall be predominantly devoted to business and business-associated needs; however, the institution shall encourage inclusion of general education subjects which contribute to breadth or balance in any course of study.

3-1-203—Instruction

(a) Accredited institutions shall provide personnel, physical facilities, and favorable conditions for effective classroom instruction.

(b) A total pattern of successful instruction includes special components which accredited institutions shall provide. Included are: (1) well-defined instructional outcomes, (2) systematic planning, (3) the selection and use of varied types of learning materials and experiences, (4) the adaptation of organization and instructional procedures to student needs, (5) the use of varied evaluation instruments and procedures, and (6) good teacher and student morale.

3-1-204—Extra-classroom activities

Colleges shall maintain a reasonable program of extra-classroom activities, based on well-defined purposes, and designed primarily to serve important educational needs of their students. Business schools are expected, where possible, to encourage and maintain such programs. Participation and membership in activities shall be governed by democratic principles.

3-1-300—Organization, administration, and control

3-1-301—Organization and administration

The ownership, control, and type of legal organization of the institution shall be stated in appropriate publications, together with the names of the administrators and officers.

(a) In evaluating the administration, emphasis shall be placed upon the manner in which functions are performed. Attention shall be given to such matters as: administration of academic matters; admissions; board of control; financial administration and supervision of the plant and equipment; overall administrative system; and, student personnel services.

(b) The method of administration shall be such that each employee clearly understands his duties and responsibilities, the person to whom he reports, and the standards by which the success of his work is measured.

(c) In the administrative organization of the institution, the professional nature of the teacher's occupation shall be protected and defended. No institution will be accredited where there is evidence that the instructor's work has been reduced to a clerical operation or where the academic freedom of the teacher is impaired.

(d) The faculty of the institution shall be academically qualified for post-secondary instruction and adequate for the size of the student body.

(e) There shall be evidence of faculty participation in administration through faculty meetings and by other means.

(f) The annual budget for teachers' salaries, library improvements, curriculum revision, and teacher improvement shall be adequate in the light of the stated educational objectives of the institution.

(g) The accounting system of the institution shall be modern and complete and shall present an accurate picture of the financial status of the institution.

3-1-302—Financial stability and reputation

(a) The institution shall have adequate financial resources to meet its responsibilities and to insure continuity of service. The amount of tuition received from students must be adequate to provide a suitable program; the amount of debt must not burden the educational objectives of the institution; the proportion of budget devoted strictly to instructional programs must be adequate; and the financial reputation of the institution in its community must be good.

(b) All institutions accredited by the Accrediting Commission of the Association of Independent Colleges and Schools may be required from time to time.

(1) to furnish reports designed to reveal data concerning the nature of operations of the institutions under any or all federal and state programs of financial aid and to determine, by way of illustration, the rate of dropouts of students and causes, therefor.

(2) to submit a signed release authorizing the USOE, HEW, and such other agencies as may be appropriate to make available to AICS information needed to verify, confirm, and supplement information reported to AICS by the institution.

(3) to provide explanation to AICS any condition apparently indicative of improper, deficient, or questionable practices in the administration of any program of student financial aid by any institution.

3-1-303—Records

(a) Adequate records shall be kept by each institution relative to the following components of its instructional program: (1) administrative operation; (2) curriculum; (3) guidance; (4) instructional supplies and equipment; (5) library; (6) school plant; (7) staff; (8) student activities; and (9) student personnel.

(b) There shall be one file for each regularly enrolled student an official copy or transcript of his high school record. In addition each file should include personal background information, records of past and current counseling, and detailed attendance records.

(c) Official transcripts for all professional staff members shall be on file in the chief executive's office or in the office of the academic dean.

(d) All basic records and reports such as the student permanent cumulative records, finance, staff, etc., shall be maintained in an appropriate manner so that they will be safe from theft, fire, or other possible loss.

3-1-400—The academic staff: Instruction

3-1-401—Faculty

The Commission will require compliance with the following:

(a) The preparation of faculty members shall be adequate and appropriate to the subject matter taught.

(1) Teachers shall have an educational background equivalent to a standard baccalaureate degree.

(2) The faculty shall represent a reasonable balance in age and years of teaching experience.

(b) Newly employed teachers, whether replacements or additions to the staff, shall have at least a baccalaureate or equivalent degree from a recognized institution of higher learning. An exception may be made for teachers of subject areas not normally taught by teacher training institutions and for teachers of electronic data processing and technical machines provided they are otherwise competent and the school also meets the other faculty standards.

(c) The institution shall provide a systematic program of inservice training for the improvement of the teaching force and the curricula. Such a program shall be specifically related to the institutional objectives.

(d) There shall be evidence of professional alertness on the part of the faculty as shown by membership and participation in educational associations, business, technical or professional organizations, continuance of education, and concurrent related business experience.

(e) The working conditions shall be such as to attract and retain instructors of high quality.

(f) A retirement plan, sick leave plan, study plan or means for other teacher improvement, regular faculty meetings, visitations to other schools, attendance at national and regional educational meetings, and participation in the activities of education associations shall be considered in the evaluation of working conditions.

3-1-402—Instruction methods

Faculty members shall be competent to teach the subject matter offered and shall have reasonable latitude in their choice of teaching methods. The appropriateness of instructional methods shall be judged by the following criteria:

(a) Individual differences among students shall be adequately recognized.

(b) The progress of a student shall be readily measurable.

(c) The method of instruction shall be appropriate to the subject matter. The *lecture*, *laboratory*, and *individual progress* or *coaching* methods of instruction, for example, are acceptable teaching methods when used with appropriate subject matter.

3-1-403—Teaching load

The teaching load shall be reasonable in student-teacher ratio, number of subject preparations, number of periods and hours assigned instruction, and other duties. The maximum teaching load, including night school, shall not exceed 31 clock hours a week. Where class instruction is used, the student-teacher ratio shall not exceed 30:1; where individual instruction is used, the ratio shall not exceed 15:1.

3-1-500—The administrative staff

3-1-501—Supervision

The chief executive officer or a specifically designated representative shall be responsible for the improvement of instruction and the professional growth of his instructional staff in service. He shall encourage his staff to continuously evaluate the program of studies, the student activity program, guidance services, courses of study, instructional procedures, library services, and other aspects of the educational program of his institution; he shall also seek to improve the educational program as a result of such evaluation. In small schools without special supervisors, the president shall devote approximately one-half of his time to supervision. In colleges and in larger schools with assistants and special supervisors, the chief executive officer shall devote such portion of his time as is required to stimulate and coordinate the program.

3-1-502—Counseling and guidance

Each institution shall designate at least one competently prepared person whose responsibilities, wholly or in part, shall include those of guidance and counseling. The extent of such activity, and the personnel assigned to it, shall be determined by the size and classification of the institution.

3-1-503—Clerical and custodial staff

(a) Adequate clerical assistance shall be provided to the professional staff. The qualifications of such personnel shall include, as a minimum, high school graduation or equivalent, and preparation in office and secretarial work.

(b) The custodial staff shall be adequate to maintain the plant so that it is safe, clean, and attractive. Custodians shall meet the legal standards of the state and city pertaining to their training and employment.

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3-1-504—Salaries

Professional personnel shall be paid adequate salaries to permit a standard of living appropriate for professional persons in the community in which they are employed and to make possible continued professional improvement.

3-1-505—Administration of Student Financial Aid

1. Each institution participating in Federal Student Financial Aid Programs shall designate at least one competently prepared person whose responsibilities, wholly or in part, shall include student financial aid administration. The extent of this activity and the personnel involved in this activity shall be determined by the size and classification of the institution.

2. The person or persons so assigned to administer student aid programs must in all cases be a part of the administration. Administrative staff personnel involved in student recruitment as their major activity shall not have the final decision-making authority in the approval or awarding of student financial aid.

3. There shall be evidence of professional awareness on the part of the financial aid officer as shown by membership and participation in state, regional, and national Financial Aid Associations, continuation of, and participation in educational activities which would keep the officer up to date on procedures and changes in State and Federal Aid Programs.

4. The Financial Aid Officers position is one of service to the student preparing to attend/or attending the institution and the Aid Officer should be aware at all times of the rationale behind, and ethical obligation involved in, this responsibility.

5. The Financial Aid Officer in liaison with the person at the institution designated as the fiscal officer has the major responsibility of diligent management of the financial aid program of the institution and together are charged with the proper accounting for, and handling of, federal funds in whose trustship the institution has been charged.

Integrity of Ownership, Management, and Control: (*This clarification is a part of Title 3, Chapter 1, and becomes the second paragraph of Section 301*)

The integrity of an institution is manifested and judged by the professional competence, educational experience, personal responsibility, and ethical qualifications evidenced by each and all individuals comprising the ownership, management, or control of an accredited institution.

3-1-600—The library and instructional materials

3-1-601—Library

The library facilities of the institution shall serve the needs of its educational program. Audio and audio-visual teaching devices and materials are to be considered in the evaluation of the library.

(a) Every institution should have available and easily accessible such standard reference works as an unabridged dictionary, an up-to-date set of encyclopedia, a current world almanac, and recent editions of handbooks appropriate to the curricula. Resource and reference material adequate to the needs of the faculty should be available.

(b) The variety of volumes and periodicals readily available to students and faculty, recency of publication, appropriateness, and usefulness to the program are major considerations.

(c) The library should observe appropriate hours, and the books and periodicals should be organized for easy access, use, and preservation.

(d) Classification and cataloging of the collection shall include a shelf list and an appropriately arranged card catalog.

(e) Budget allotments for library and instructional materials shall be appropriate to the institution's programs.

3-1-602—Classroom instructional materials and equipment

Adequate and appropriate types of teaching and learning materials as well as equipment for all areas of the program shall be provided. The quantity and type of the instructional material and equipment required shall be determined by the size of the institution and the nature of the program.

3-1-700—Financial relations with students and ethical standards

3-1-701—Tuition and charges

(a) The tuition and other charges shall be clearly stated in the catalog of the institution or in a comparable publication readily available to students and the general public. The existence of any separate or comparable publication containing tuition rates, other charges, refunds, and financial policies must be stated specifically in the catalog of the institution. This schedule of charges must be uniformly administered to all students.

(b) The financial record of the student shall clearly show the amounts of money paid and the balance due from him for tuition and other charges.

(c) The enrollment agreement or catalog used by an institution must clearly outline the obligations of both the institution and the student and a copy of the enrollment agreement must be furnished the student either by the institution itself or by the institution's representative.

3-1-702—Refunds

The refund policy of the institution shall be published in the catalog and shall comply with the current refund policy of AICS Ethical Criteria.

3-1-703—Ethical criteria

An accredited institution shall maintain high standards of academic integrity and ethics. The Commission has promulgated and published separate guidelines with ethical criteria in detail. These standards are made a part of this Criteria by reference, are supplied to all applicants for accreditation, and are available to the general public on request.

3-1-800—The school plant

3-1-801—Site

The site shall be readily accessible, free from traffic hazards and other dangers, free from distracting noises, extensive enough to provide for all instructional and recreational needs, attractive in appearance, and properly maintained.

3-1-802—School plant and equipment

The buildings, classrooms, equipment, furniture, grounds, instructional devices, instructional facilities, machinery (if any), and other physical requirements of the educational program shall be appropriate and shall contribute directly to the achievement of the educational objectives of the institution. The physical plant shall meet the general tests of safety, usefulness, cleanliness, high maintenance standards with provision for improvement and expansion, adequate health standards, adequate lighting facilities, and compliance with any local or state laws governing physical facilities, particularly with respect to fire, safety, and sanitation. If the plant is not owned by the institution, evidence of long-term occupancy and lease, or other evidence, shall be presented to demonstrate the stability of the institution.

3-1-900—Admission; graduation; student services

3-1-901—Admission policies

The admission policies shall be based upon the institution's objectives, shall be publicly stated, and shall be administered as written.

(a) No institution shall be accredited which does not require at least completion of high school (12th grade), or equivalent, as a prerequisite to regular enrollment.

(b) An accredited institution shall not permit regular enrollment of non-high school graduates of less than 17 years of age, or the legal age for compulsory school attendance.

(c) If the institution conducts an adult education program or serves special students (limited program, non-degree, or non-diploma), a separate admission policy shall be publicly stated and administered for such students. Such students need not be high school graduates, but they must be adults and fully qualified to study the subject matter for which they enroll.

(d) The admission policy of the institution shall not discriminate in the selection of students in any way, regardless of the institution's own religious affiliation or policy, its relationship or affiliation with any other type of educational institution, the nature of its legal organization, or the source of its financial support.

3-1-902—Graduation and awards

The institution shall confer certificates, diplomas, specialized or academic degrees consistent with its objectives and classification and in compliance with applicable state laws. Where state laws are silent with respect to the right of an institution to confer certificates, diplomas, or degrees, the practice of the institution shall be consistent with the practices of post-secondary or collegiate education in the general geographic area in which the institution is located.

(a) Requirements for graduation shall be clearly stated in the catalog of the institution or other comparable publication available to the general public and shall be uniformly applied.

(b) A standard semester, quarter, or term hour normally requires one hour of work in class each week for a semester, quarter, or term. Laboratory subjects having a disproportionate ratio of instruction to practice require additional class or laboratory hours per credit hour, depending upon the particular circumstances. Appropriate provision must be allowed for home study.

A standard class hour is 45 to 50 minutes in length.

3-1-903—Offering of degrees by accredited institutions

When an institution offers a non-standard degree, accreditation consideration shall begin only after a responsible official of the institution certifies that no student shall be enrolled thereafter for the nonstandard degree program. Such an institution shall be permitted to change such degrees to standard degrees otherwise conforming with the Criteria of the Commission. Any subsequent change that would affect the degree-granting policy and the accreditation status of a school shall require consultation with the Commission.

3-1-904—Procedure

When an accredited institution has decided to seek a different accreditation in which a degree may be appropriate, the following procedure shall be followed:

(a) The institution shall notify the Commission of its decision to seek the different accreditation and whether or not it will grant an appropriate standard degree.

(b) If the institution has decided to offer an academic degree (e.g., A.A., A.S., A.B.A., B.S., etc), and has state authority to do so, it shall furnish to the Commission evidence of such authority.

(c) The institution shall present to the Commission a written document outlining a planned appropriate collegiate curriculum including business and general education courses and prerequisites, a projected timetable or schedule for upgrading of the faculty and library, as well as plans for meeting other requirements for the different accreditation.

(d) The institution shall publish and file with the Commission a college catalog acceptable to the Commission, and which meets the Criteria requirements for a junior or senior college of business as case may be, and

(e) The institution shall present affirmative evidence that the library of the institution meets all requirements of the library Criteria for the level of accreditation for which application is made except with respect to the number of volumes on hand which must include appropriate holdings representative of the subject areas offered, including general education, and

(f) The institution shall provide affirmative evidence that the physical plant, furnishings and equipment, and philosophy of the institution (as stated in the catalog and reflected in its recruitment and admissions policies) are appropriate to a developing institution of higher education at point in time at which it begins the matriculation of students in the degree program for which approval is requested.

3-1-905—On-site visitation

The Commission will require an on-site visit at the expense of the institution by a representative of the Commission prior to granting of approval for the school to matriculate students in the requested new classification. Should the Commission concur in the request of the institution to seek a different accreditation it will then grant the status of Reasonable Assurance of Reclassification. This is an interim status of accreditation at the higher classification which will be granted for a period not exceeding one year. This status is subject to renewal from time to time by the Commission after consideration of the progress of the institution as disclosed by the special reports required herein, in addition to such other investigations which may include on-site visitations as may be ordered by the Commission.

(a) An accredited institution seeking to offer an associate degree will be allowed two years in which to meet all Criteria for junior college accreditation, unless the Commission extends the time. An accredited institution seeking to offer a baccalaureate degree will be allowed three years in which to meet all Criteria for senior college accreditation unless the Commission extends the time.

(b) During the period a college is working toward a higher collegiate accreditation, semiannual progress reports must be filed with the Commission in a form prescribed by the Commission. Unsatisfactory progress will be grounds for revocation by the Commission of the approval granted as set forth herein.

(c) By the end of the two- or three-year period, as the case may be, the college must have had a regular on-site evaluation for the new classification and must have been accredited for such. If the latter requirement is not accomplished, the institution must either cease the matriculation of students in the degree program or lose its institutional accreditation.

(d) In the event of revocation of the authority to offer the degree program, or failure to accomplish the requirements for accreditation at the higher level, the institution will be expected to fulfill its obligations to all students matriculated in the degree programs, including the granting of degrees. However, in such event, no additional students may be entered into training in the degree program.

3-1-906—New classification

The institution which seeks the new classification is required to plan carefully for that new classification. The use of a qualified Commission-approved consultant, as well as Commission aid, is strongly recommended.

(a) If an institution has been given permission by the Commission to grant degrees appropriate to either a junior or senior college of business prior to obtaining accreditation as a junior or senior college, the institution may make appropriate announcements on letterheads, catalogs, and other publications, but only for the time prescribed.

(b) A degree-granting institution moving to a non-degree classification may not enroll students in a degree-granting program after the date on which the notice of the new classification is received from the Accrediting Commission.

Moreover, the institution is obligated to offer appropriate courses so that currently enrolled students, who have entered the program in good faith, will be able to complete the program and receive their degrees. For this purpose this period of time shall not extend beyond two years for two-year programs or four years for baccalaureate programs.

3-1-907—Specialized associate degree programs

When an accredited institution seeks approval to offer an associate specialized degree for programs of not less than two academic years and for which it has state authority, the school will apply to the Council on Schools for approval for the offering of such degree. The application shall include:

(a) A certification that the school will offer the degree in accordance with appropriate standards—semester or quarter hours of instruction, level of difficulty of courses, faculty, library, and curriculum.

(b) Detailed information to support the above certification and documentation of state authorization for the offering of such degree.

(c) Granting of the associate in arts or associate in science degree is limited to junior or senior colleges of business or recognized candidates for such accreditation.

The Council on Schools may grant or withhold approval for the offering of such degree, or defer such action pending the completion of such evaluative procedures as it may initiate.

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3-1-908—Student recruitment

The Commission shall examine carefully the recruitment methods of the institution. The proportion of the total school budget used for purposes of recruitment shall not be excessive.

(a) The institution's recruitment efforts shall be devoted substantially to locating and informing those groups of students which the institution can serve best.

(b) Loans, grants, or scholarships shall not be used as a recruitment device when such use results in unfair competitive practice.

(c) If field representatives are employed, their remuneration shall preferably be on a salary basis. No institution shall budget an excessive or disproportionate amount of its budget for recruitment activities.

3-1-909—Student personnel services

Student personnel services shall be provided to make the total program of each student effective, meaningful, and complete in light of the institution's objectives. The following areas shall receive special consideration:

(a) Orientation activities shall help new students adapt to the institution.

(b) The student record shall provide complete and useful information about the student's educational and personal background, including: courses taken, credits and grades received, and dates of schools attended; certificates, degrees earned, or diplomas; and other pertinent information.

(1) The student's scholastic record form shall permit easy and accurate preparation of transcripts of educational records to support transfer, placement, reports to the armed services or government agencies, and other needs. Except for schools with exclusively vocational objectives, credit for each subject studied shall be indicated in terms of semester hours or other units easily converted to semester hours (or like units) by the use of a simple, stated formula. The grading system used shall be fully explained on the transcript form.

(2) A numerical or other logical system shall be used on transcripts and records to indicate course progression or level of difficulty.

(c) A system of educational, occupational, and personal guidance counseling shall be provided to give systematic aid to pupils in making adjustments to various types of problems which they meet—civic, educational, personal, social, and vocational.

(1) Personnel, physical facilities, and materials shall be adequate for effective guidance and counseling services to the institution's students.

(2) There shall be sufficient number of counselors to permit individual conferences with students as needed, provision for teacher counselors for small groups, related pupil information for effective counseling, appropriate test data, an adequate system of student records, and sufficient reference materials.

(d) Guidance and supervision shall be provided in extracurricular activities.

(e) There shall be placement service and post-school follow-up studies.

(f) Health and safety services shall be provided. Each institution should have available services supplementary to other agencies in the community to aid students in maintaining good physical and mental health. Included in the institution's health program should be such provisions as health and safety instruction. Professional health personnel should be available part time or on call.

(g) If the institution serves students who live away from home, the Commission shall evaluate the system used by the institution to provide housing and food. The institution should accept reasonable responsibility for ascertaining that its students are well-housed and well-fed under healthful, comfortable conditions operated on a high moral level.

3-1-1000—Publications

3-1-1001—Catalog

Each institution shall publish, or shall have published, an appropriate catalog of its operation and services with consideration given to the following items: accreditation affiliations, admission requirements, calendar, curricula offered, date of publication, description of building, expenses, fees, graduation requirements, institutional objectives, legal control, list of the faculty (including degrees held and institutions from which received), list of trustees, memberships, refund policy, room and board accommodations, rosters, rules and regulations, scholarships, student activities, student body, student welfare services, table of contents, etc.

Detailed recommendations concerning catalog content and organization are available from the office of the Commission.

3-1-1002—Advertising

Advertising shall be factual and in good taste. The Commission is always interested in the manner in which the fact of accreditation is publicized. Guidelines for acceptable advertising are contained in the Ethical Criteria published by the Commission.

3-1-1003—School calendar

The institution shall provide and publish a school calendar showing beginning and end of terms, holidays, and important dates of the school year.

CHAPTER 2—RESERVED FOR FUTURE USE

CHAPTER 3—ADDITIONAL CRITERIA FOR JUNIOR COLLEGES OF BUSINESS—ELIGIBLE INSTITUTIONS

3-3-100—Eligible institutions

To be considered for accreditation as a junior college of business, an institution shall have been in continuous service for a period of time sufficient to make possible an evaluation of the programs; and shall have offered its principal program for at least three years.

Based on total enrollment, a reasonable number of associate degrees or diplomas must have been conferred during each of the three years preceding application for accreditation. Should the average number of degrees or diplomas granted annually over the previous three years fall below ten (10), an explanation by the chief executive officer of the college shall be included in the application for accreditation.

3-3-101—Philosophy and objectives

The junior college of business places greater emphasis on achievement beyond the purely vocational; frequently, objectives require courses of considerable breadth, including general education, citizenship, research, etc. In addition to occupational objectives dependent upon skills, students are prepared for state-conferred designations or licenses upon examination. Transfer credit for appropriate work in other collegiate institutions is granted or may be contemplated.

3-3-200—The educational program

3-3-201.—The curriculum is the usual means by which the objectives of a college are achieved. Hence, each institution applying for accreditation shall be expected to show that it offers courses appropriate to its specific goals and objectives, including an adequate program of general education, basic business education, and business courses related to the objectives of the institution. The organization of the curriculum shall be of service to the students and shall be determined by each institution.

Junior colleges of business may offer work in fields such as: accounting, business administration and management, economics and finance, marketing, and secretarial science. Second-year work in these business areas shall be offered and based upon appropriate first-year prerequisites.

3-3-202.—The curricula shall approximate, quantitatively and qualitatively, the standards in effect in recognized collegiate institutions offering associate degrees in business with due allowance being made for meeting regional or other special objectives. Instructional procedures, texts, and materials shall be suited to the purposes, curricula, and standards of collegiate instruction.

3-3-203.—A junior college of business confers upon graduates an appropriate diploma or associate degree, provided the institution is legally authorized under the laws of its state to grant the associate degree. The associate degree or diploma of a junior college of business requires the completion of a minimum of 60 standard semester hours earned over a period of four semesters of 14 to 19 weeks of instruction each, or 90 quarter or term hours earned over a period of six quarters or terms of 10 to 12 weeks of duration each, or the equivalent thereof.

Of the total credits for the associate degree or diploma, a minimum of 30 standard semester hours, or equivalent, in businses or economic subjects and at least 16 standard semester hours, or equivalent, in general education are required. General education courses include subjects other than business that give breadth and balance to the total program. Economic principles, economic history, and economic geography may be included in either category.

3-3-204.—Enrollment in the second year of a two-year program must be sufficient to support regularly scheduled and conducted classes and laboratory work.

3-3-205.—An accredited college is not barred from offering other programs of shorter or longer duration than two years, provided they are taught at the collegiate level, except for specially circumstanced programs. Appropriate consideration shall be given to colleges enrolling less than full-time students.

3-3-300—Organization, administration, and control

In evaluating the administration, emphasis will be placed upon the manner in which functions are performed. Attention shall be given to such matters as the board of control, the overall administrative system, the administration of academic matters, student personnel services, the financial administration, and supervision of the plant and equipment.

3-3-400—The academic staff: instruction

3-3-401.—In no case shall the faculty number fewer than four full-time or full-time equivalent faculty members who shall be representative of the principal areas of instruction offered by the college.

3-3-402.—In judging competence, consideration shall be given to the academic preparation and business experiences of each teacher. At any one time, no teacher should be assigned to teach in more than three fields of instruction, and preferably in not more than two fields. Teachers shall be assigned in terms of their major and minor preparation, interests, and related business experience. At least one-half of the faculty teaching second-year classes shall have the master's degree, LL.B., J.D., C.P.A., or other approved professional equivalents. Attention shall be given to the proportion of the faculty which has attended or has been graduated from the college being evaluated.

3-3-403.—Teaching loads shall not be greater than 20 credit hours per week, including evening classes. Consideration shall be given also the number of clock hours of regularly assigned instruction, which shall not exceed 25 per week, and the number of different preparations required.

3-3-404.—Teachers shall be appointed by the official action of the board of control, upon recommendation of the designated administrative officer. Notices of appointment shall be in writing and contain all the conditions of employment, including the period of time for which employment is offered. Such notices, when accepted in writing by the staff member, constitute the contract between the individual and the college. Preferably, appointments should be made for a term of one to three years, renewable for stated periods, if work is satisfactory.

3-3-500—The library and instructional materials

The library shall be under the direction and supervision of a trained librarian with a sufficient number of assistants to provide an adequate staff for the library. An adequte, annual, budgetay allowance shall be expended for the purchase of books, periodicals and other materials, and for salaries of librarians and assistants.

The Dewey Decimal, Library of Congress, or other appropriate system of classification should be used; and records of circulation, books and periodicals, inventory data, and finances shall be accurate and up to date.

A library for a junior college of business shall contain up-to-date volumes appropriate to the size of the institution and the breadth of its offerings, as well as magazines and essential professional periodicals.

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CHAPTER 4—ADDITIONAL CRITERIA FOR SENIOR COLLEGES OF BUSINESS

3-4-100—Eligible institutions

1. In order for a senior college of business to be considered for accreditation, it shall have been in operation as a four-year college for a period of time sufficient to make possible an evaluation of its programs; and, it shall have graduated at least three four-year classes.

2. The institution shall be legally authorized by the appropriate state agency to confer baccalaureate degrees. A baccalaureate degree shall require the completion of a minimum of 120 standard semester hours normally acquired and earned over a period of 8 semesters of 14 to 19 weeks of instruction each, or 180 quarter or term hours normally earned over a period of 12 quarters or terms of 10 to 12 weeks of instruction each. Normally, a class hour refers to a net of 45 to 50 minutes of class time.

3. Transfer credit for appropriate work in other collegiate institutions is granted.

4. An accredited college is not barred from offering programs of one or two years in length, provided that all programs, except for those specially circumstanced, offered by the college are taught at the level of collegiate instruction.

5. Based on total enrollment, a reasonable number of baccalaurate degrees must have been conferred during each of the three years preceding application for accreditation.

3-4-101—Philosophy and objectives

The objectives of the senior college of business should place greater emphasis on achievement beyond the purely vocational. Frequently, such objectives will require courses of considerable breadth, including general education, citizenship, research, etc. Professional objectives of high level should be stressed. Objectives may include the preparation of students for state-conferred designations or licenses upon examination.

3-4-200—The educational program

3-4-201.—The curriculum is the means by which the objectives of a college are achieved. Hence, each college applying for accreditation shall show that it offers such courses that directly relate to its specific purposes. This includes an adequate program of general education, basic business education, and professional and advanced business courses. The organization of the curriculum shall be such as will best serve the students and is to be determined by each college for itself.

3-4-202.—Of the total credits required for the baccalaureate degree, a minimum of 40 percent shall be in business or economic subjects, and at least 40 percent in general education. General education subjects are considered to be those other than business and economics, provided that economic principles, economic history, and economic geography may be included in either category. For purposes of accreditation, the term *general education* is defined to describe those courses covering the major areas of knowledge other than business courses. The framework of the general education program shall embrace work in all or most of the following fields: communication arts, fine and practical arts, languages, literature, mathematics, psychology, and social science. The college also may elect to make offerings from the following fields: biological science, health education, humanities, recreation, religion, and physical science. A list of suggested course titles that would be acceptable is available from the Commission.

3-4-203.—The professional business program should be organized in terms of majors. As a foundation for training in business, instruction shall be offered in accounting, business law, business organization and management, economics, finance, industrial management, industrial relations, marketing, personnel management, or statistics. Preferably, instruction in the introductory courses in each of the foregoing fields should be required for all candidates for the baccalaureate degree. The requirements for majors in secretarial administration and teacher education may vary somewhat from this standard.

3-4-204.—The curricula shall approximate, quantitatively and qualitatively, the standards in effect in recognized collegiate institutions offering baccalaureate degrees in business. Due allowance shall be made for meeting regional or other special objectives. Instructional procedures, texts, and materials shall be suited to the purposes, curricula, and standards of collegiate instruction.

3-4-205.—Enrollment in the upper division courses must be sufficient to support regularly scheduled classes and laboratory work to insure high standards of instruction.

3-4-300—Organization, administration, and control

In evaluating the administration, emphasis will be placed upon the manner in which functions are performed. Attention shall be given to such matters as the board of control, the overall administrative system, the administration of academic matters, student personnel services, the financial administration, and supervision of the plant and equipment.

3-4-400—The academic staff: instruction

3-4-401.—A college shall have an adequate and competent faculty working under conditions that encourage the best efforts of each individual. The size of the faculty roster shall be appropriate to total student enrollment as well as the number of students enrolled in lower division compared to upper division enrollees. The student-teacher ratio shall be appropriate for the level of college work offered. The number of full-time and full-time equivalent faculty members having teaching as their primary interest shall be appropriate to the size and objectives of the college, and shall be representative of the principal areas of instruction.

3-4-402.—In judging competence of the faculty, consideration shall be given to the academic preparation and business experience of each teacher. At any time, no teacher should be assigned to teach in more than three fields of instruction, and preferably in not more than two fields.

Normally, teaching loads shall not be greater than 16 standard semester hours per week, or equivalent, including evening classes. Consideration shall be given to the number of clock hours of instruction and the number of different preparations required.

3-4-403.—At least one-half of the faculty teaching second-year classes shall have master's degrees, LL.B., J.D., C.P.A., or other approved professional equivalents. Normally, there shall be no teachers of upper division courses without standard master's degrees or the equivalent, and a reasonable number shall have doctoral or other terminal degrees. An earned doctorate in economics or business administration from an accredited institution is considered terminal for all business courses; for business law, an LL.B. or J.D. from an accredited institution is considered a terminal degree; for accounting, a master's degree in economics or business in addition to the C.P.A. certificate is considered a terminal degree.

3-4-404.—Teachers shall be appointed by official action of the board of control upon recommendation of the designated administrative officer. Notices of appointment shall be in writing and shall contain all the conditions of employment including the length of the appointment. Such notices, when accepted in writing by the staff member, constitute the contract between the individual and the college. Preferably, appointments should be made for a term of one to three years, renewable for stated periods, if fulfillment of teaching and other duties is satisfactory.

3-4-405.—The college should evidence a record of a stable faculty roster particularly for those teachers conducting classes in the upper division courses. The college is encouraged to induce stability in their faculty roster with adequate salaries, fringe benefits, and tenure status.

3-4-500—The library and instructional materials

The functions of the library shall be determined by the educational program of the college. It shall provide the study and reading facilities necessary to make the educational program effective, and there shall be evidence that such facilities are appropriately used.

In judging the library, consideration shall be given to the use of library materials by both students and faculty, including methods used to encourage its use by students. The library shall be under the direction and supervision of a professionally trained librarian with a staff adequate to provide full-time supervision of the library. An adequate annual budgetary allowance shall be provided for the purchase of books, periodicals and other materials, and for salaries of librarians and assistants. A library for senior colleges of business shall contain up-to-date volumes appropriate to the size of the institution and the breadth of its offerings, as well as magazines and essential professional periodicals.

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SUPPLEMENT TO OPERATING CRITERIA FOR ACCREDITED INSTITUTIONS

THE ACCREDITING COMMISSION OF THE ASSOCIATION OF INDEPENDENT COLLEGES AND SCHOOLS

TITLE IV—SUPPLEMENT TO CRITERIA

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CHAPTER 1—ETHICAL CRITERIA

4-1-100—General provisions

(a) The purpose and intent of these ethical criteria is that students, prospective students and the public, may rely upon the complete accuracy of all representations concerning opportunities, offerings and operations of institutions holding membership in AICS and accredited by its Accrediting Commission. Statements or activities that are not factually accurate or that have a tendency or capacity to mislead or deceive anyone are in violation of these criteria.

(b) The word "school(s)" as used herein refers to any institution holding membership in AICS.

(c) Academic terms such as school year, clock-hours, quarter-hours, semester-hours, etc., are to be given their generally accepted meaning unless specifically defined in criteria adopted and promulgated by the Accrediting Commission.

(d) These criteria are designed to apply to all students enrolled in all schools.

(e) In the application and administration of these criteria it is intended that a spirit of equitable interpretation shall prevail when confronted with arguments indulging in technicalities.

4-1-200—Advertising and promotional literature

(a) Any advertisement or piece of promotional literature written or used by a school must be completely truthful and must be prepared and presented with dignity and in such a manner as to avoid leaving any false, misleading or exaggerated impressions with respect to the school, its personnel, its courses and services, or the occupational opportunities for its graduates.

(b) All advertising and promotional literature used by a school must clearly indicate that training or education, and not employment, is being offered.

(c) All advertising and promotional literature must include the correct name of the school. So-called "blind" advertisements are considered misleading in character.

(d) Schools using classified columns of newspapers or other publications to procure students must use only such as are headed by "Education," "Schools" or "Instruction." "Help Wanted," "Employment" or "Business Opportunities" classifications may be used only to procure employees or agents for the school.

(e) In reference to the availability of FISL financing in media advertising and promotion, the only authorized reference is "Eligible Institution under Federally Insured Student Loan Program."

(f) Advertisements may not be used to sell loans, for example: "Learn now, Pay later," "Government Loans Available."

(g) Letters of endorsement, commendation or recommendation may be used in school catalogs, sales literature or advertising provided prior consent is obtained and no remuneration is made for either the consent or use of the endorsement. Such letters shall be kept on file and subject to inspection. Testimonial letters may be used only when they are strictly factual and portray currently correct conditions or facts.

(h) For general publications (catalogs, letterheads, brochures, promotional literature, etc.) institutions shall state the fact of accreditation as follows:

> Accredited Member, Association of Independent Colleges and Schools, or
>
> Accredited by the Accrediting Commission of the Association of Independent Colleges and Schools.
>
> For mass media (newspapers, magazines, radio and television) where there are time and space limitations accredited institutions may state the fact of accreditation as follows:
>
> Accredited Members AICS, or Accredited by the Accrediting Commission of AICS.

Permissible also is the statement, or an approximation thereof, that:

> "The Accrediting Commission of AICS is designated as a Nationally Recognized Accrediting Agency by the United States Office of Education under the Provisions of Public Law 82-550 and subsequent legislation which requires the evaluation of such agencies and issuance of an official list by that office."

Not permissible is the use of such statements as "fully accredited" nor "accredited" without including the name of The Accrediting Commission of AICS.

(i) A school will not use the term "accredited" unless it is in fact accredited by the Accrediting Commission of AICS or has affirmative authority under State law. Any reference to State Authority for status as "registered," "approved" or "accredited" must name the state extending the approbation and must accurately reflect the identity of the state agency.

4-1-300—Sales policies and practices

(a) The total price for any specific program offered by a school shall be the same for all persons at any given time, whether sold by mail or by personal solicitation, except for proper discounts to members of religious and government organizations, or to private organizations for quantity or group enrollments, and for bona fide special payment plans available to all students at the same time.

(b) Terms of payment may be varied by the school from time to time and from person to person, so long as the net price charged for the program at any given time and under any given payment plan remains the same for all persons.

(c) Announcements of price increases must be bona fide, must state the effective date of the price increase, and the price increase must be applicable to all enrollees thereafter.

(d) The word *Guarantee* shall not be used by any school for advertising or sales promotion purposes.

(e) Each school shall maintain placement assistance for its graduates. Such placement assistance service shall be *encouraged with respect to reciprocity among all AICS member schools.* A school shall not guarantee the placement or the starting salary of its graduates either directly or by implications.

4-1-400—Field representatives

(a) A school must assume full responsibility for the actions, statements and conduct of its field representatives and must, therefore, select each of them with the utmost care, provide him with adequate training, and arrange for constant and proper supervision of his work.

(b) It shall be the responsibility of each school, through the medium of sales manuals, bulletins, or other similar means, to see that each of its field representatives is fully informed as to its courses and services, prices and terms, and operating policies.

(c) It shall be the responsibility of a school to conform to the laws and regulations of each of the states in which it operates, and in particular to see that each of its field representatives working in any such state is properly licensed or registered as required by the laws of that state.

(d) If a school's field representatives are authorized to prepare or place advertising, or both, or to use promotional materials, the school must accept full responsibility for the materials used and must approve them in adv[illegible] of their use.

(e) Where field representatives are authorized to collect money from an applicant for enrollment, they must be required to leave with the applicant a receipt for the money collected and, unless the school has some other procedure by which a copy of the applicant's enrollment agreement is furnished him, such a copy must be left with the applicant by the field representative.

(f) A field representative of a school shall not be permitted to use any title that tends to indicate that his duties and responsibilities are other than they actually are or that he has special qualifications for guidance, counseling, etc., which he does not in fact possess or that are called for by the nature of his work.

(g) A school shall not permit its representatives to encourage any student to leave an educational institution where he is in attendance, nor shall any school seek to induce a student to change his plans after the student has signed an enrollment form and paid a registration fee to another school.

(h) A school and its representatives shall refrain from all statements relating to the character, nature, quality, value, or scope of educational programs offered by other schools, or the resources or ability of such schools to fulfill their obligations.

4-1-500—Enrollment policies and practices

(a) It shall be the responsibility of a school to determine, with reasonable certainty, that an applicant for enrollment is fully informed as to the nature of the program he desires to take and as to what that training can reasonably be expected to do for him.

(b) It shall be the responsibility of a school to determine, with reasonable certainty, that each applicant for training is fully informed as to the nature of the obligation he is entering into and as to his responsibilities and his rights under the contract he has signed.

(c) It shall be the responsibility of a school to establish the qualifications which an enrollee must have to enable him to successfully assimilate the training to be furnished him, and to determine with reasonable certainty, in advance of the acceptance of his enrollment, that the applicant has the proper qualifications to take the training for which he is applying.

(d) The requirements for admission shall be graduation from a recognized high school or its equivalent. A high school transcript will be required for each student entering school in a diploma or degree program. Specially circumstanced students in government programs and students who are above the high school age limit and have discontinued public school attendance may, however, be admitted as special students at the discretion of the school.

(e) In any case where a school accepts an enrollment application from a person who does not meet the normal basic qualifications for acceptance, it should have a record of whatever correspondence has taken place with and about the applicant and of the reasons why he was permitted to enroll, and be prepared to justify its action in accepting the enrollment.

(f) A school shall not accept an enrollment from a person of compulsory school age, nor one attending a school of high school level, until and unless it shall have established through contact with properly responsible parties that pursuit of the course would not be detrimental to his regular school work.

4-1-600—Financial relationships, tuition, and refund policies

(a) Tuition and other charges shall be clearly stated in the institution's catalog or in a comparable publication made readily available to students and the general public. The existence of any separate or comparable publication containing tuition rates and other charges, refunds, and financial policies must be stated specifically in the catalog of the instiution. This schedule of charges must be shown to be uniformly administered to all students.

(b) The financial record of the student shall show clearly the amount of money paid by the student and due from him for tuition and other charges.

(c) The enrollment agreement or catalog used by an institution must clearly outline the obligations of both the institution and the student and a copy of the enrollment agreement must be furnished the student either by the institution itself or by the institution's representative.

(d) Refund Policy: The institution must have a definite, equitable, and established refund policy which must be published in the catalog and uniformly administered to all students. The following applies as a minimum policy for all students in all institutions:

(1) Notice: Institutional regulations may reasonably require a refund request to be in writing; that it be made by the parent or guardian if the student is under age 21; and, that the date of withdrawal is the last date of recorded attendance.

(2) Cancellation Prior to Commencement of Classes by the Student: If tuition is collected in advance of entrance, and if the student does not begin classes, not more than $100 shall be retained by the institution. Appropriate refunds must be made within 15 days of the beginning date of the quarter or semester or 30 days after receipt of written notice that the student will not enter, whichever is the earlier.

(3) Withdrawal After Commencement of Classes by the Student:

(i) For programs of more than three months (or one quarter) in length and up to one year (12 calendar months), in cases of withdrawal after commencement of classes by the student, the following refund policy will be acceptable:

During the first week of classes the intsitution may retain 10% of stated course price, thereafter,

During the next 3 weeks of classes the institution may retain 20% of stated course price, thereafter,

During the first 25% of the course the institution may retain 45% of stated course price, thereafter,

During the second 25% of the course the institution may retain 70% of stated course price, thereafter,

The institution may retain 100% of stated course price.

Percentage of course completion is to be computed on the basis of clock, quarter or semested hours as listed in the catalog. Units of credit earned is not the criteria in implementing this policy; rather, it is amount of time attended.

Any unused portion of the book fee will be refunded.

(ii) For programs longer than one year (12 calendar months) in length, 100% of stated course price attributable to the period beyond the first year will be refunded when the student withdraws during the prior period.

(iii) For programs of 3 months (or one quarter) or less, including so-called "short courses," a policy is encouraged which provides for a stated and equitable refund in bona fide cases of discontinuance for reasons clearly beyond the control of the student. Such an apportionment policy may include retention by the institution of a reasonable amount in excess of prorata charges for the time in actual attendance to partially compensate the institution for those expenses not diminished by the student's discontinuance.

(e) Any correspondence regarding cancellation and settlement between the student and the institution, banks, collection agencies, lawyers or any third persons representing the institution, must clearly acknowledge the existence of the cancellation and refund policy.

(f) If promissory notes or contracts for tuition are sold or discounted to third parties, the institution must comply with the cancellation and refund policy outlined in this section. Holders in due course are to be notified of the policies of the institution.

(g) Business practices used by the institution must reflect good taste and sound ethical procedures.

4-1-700—Scholarships

(a) Schools may participate in bona fide scholarship programs. Tuition deductions, partial scholarships, free services, or any plan which is merely a deduction from the published rates are not permitted. Bona fide scholarship programs shall be printed in the school catalog.

(b) Schools may offer scholarships or finanical aid upon the following basis only:

(1) General scholarships may be granted provided the scholarship shall cover the total tuition charge for the entire period for which it is granted and which shall not be less than one academic year (9 months) in length. Only a high school graduate recommended by his principal and by one character reference will be eligible for a general scholarship. The number of general scholarships offered by any school shall not exceed a ratio of one to every 25 students in regular daily attendance in the school. All other types of general scholarships are hereby forbidden.

(2) Funded scholarships are permissible when made available through funds granted by a recognized independent source external to the school, such as a trust fund or a business, professional, or civic organization.

(3) Partial scholarships are prohibited except to the extent that a school may choose to grant a Matching scholarship equal in amount to a funded scholarship as defined above which does not cover total tuition for at least one academic year.

(4) All general, funded and matching scholarships from any source must be completely described in the school catalog with full information about the value, the number, the source and the basis for selection.

(5) Any scholarship which does not meet the above definitions and conditions will not be used *unless such scholarship program has been reviewed and specially approved in writing by both the Board and the Commission.* Any device or plan which is merely a deduction from the announced tuition rates of a school given in the form of scholarships or partial scholarships is prohibited.

(c) Schools will limit the use and application of the term "scholarship" to its publicly and generally accepted meaning. It is expressly prohibited for a school to refer to a fully paid tuition agreement as a "Lifetime" or "Fully Paid" scholarship.

(d) Financial aid in the form of a work-study program (so-called "work" or "service" scholarships) may be granted provided the duties performed are *bona fide* and the remuneration paid is not in excess of current local rates for comparable services. It is expressly prohibited for a school to refer to such financial aid as a scholarship.

(e) The regulations set forth in this section, and the word "scholarship" as used herein, shall not:

(1) prohibit any institution from providing matching funds or grants-in-aid in conjunction with any federal or state supported program of student financial aid when made in conformity with the requirements of such groups, or

(2) prohibit any accredited institution from making grants-in-aid or awarding full or partial scholarships provided that:

(i) the amount of aid expressed in dollars and the terms and conditions of such awards or grants are published in the college catalog and are applicable to all similarly situated students or prospective students, and

(ii) full details of the plan of scholarships, grants, and awards are submitted to the Commission for approval in advance of publication, and provided that such approval be continuing until or unless changes in the terms, conditions, or administration of such plans are made, or until or unless approval is revoked by the Commission.

The Executive Secretary is delegated authority to approve scholarship plans under sub-section (e)(2) above.

CHAPTER 2—PROCEDURES AND CRITERIA FOR EVALUATION OF INSTITUTIONS WITH SPECIALIZED OFFERINGS

4-2-100—Objective

It is recognized that institutions primarily organized to train students for business careers may find occasion to better serve their constituency—the student, the community, and the employers—by providing certain supplemental learning opportunities in areas of selected nonbusiness skills.

To establish and maintain standards and insure appropriate quality for these specialized offerings in the accrediting process, the following definitions, procedures, and Criteria have been established.

4-2-200—Bases of eligibility for evaluation of institutions with specialized offerings

(a) Definition—A specialized offering shall be defined as a course or program not traditionally identified as a directly related business course or program. Examples of such specialized offerings may include, but are not limited to the categories of: basic electronic technology, elementary engineering skills, and other similar vocations.

(b) An institution to be eligible for consideration by the Accrediting Commission must be predominantly organized to train students for business careers.

If a department offers programs not traditionally classified as business as defined in (a) above, the number of students enrolled in such programs shall not exceed a full-time equivalent of 100 students or 40% of the total student body. Where these limitations are materially exceeded, the school or its nonbusiness department shall be deemed to be predominantly organized for purposes other than business, and therefore, must seek accreditation elsewhere.

4-2-300—Procedures

(a) An accredited institution seeking to initiate a specialized offering shall file a letter of intent with the Accrediting Commission at least 30 days prior to the enrollment of any students in the specialized offering. This letter must include justification of the proposal backed by market survey data, the starting date, the approximate number of students to be enrolled, course outlines, physical facilities to be used, brochures, catalog descriptions, employment opportunities, and such other information as the Commission may deem appropriate.

(b) Within 10 days following the commencement of classes, the Commission will be notified of the exact class starting date, the number of students enrolled in the special offering, and the staff names and credentials.

(c) On receipt of the "start-notice," the Accrediting Commission shall initiate the accrediting process by providing the institution with a formal application for accreditation of the specialized offering. This formal application will include a self-evaluation questionnaire to be completed by the staff. This evaluation will provide details concerning the program and an examination of the validity of the institution's concern for specific local needs in providing this special area of education. The formal application and self evaluation must be returned to the Commission within 90 days from the date classes commenced.

(d) Nonaccredited applicant institutions which offer nonbusiness courses will be evaluated for their *total range* of programs and will be judged by these criteria as well as the *Operating Criteria for Accredited Institutions.*

(e) On receipt of the executed application and self-evaluation forms, the Commission will appoint a visitation team to conduct an on-site inspection of the institution and its special offering. This team shall include at least one representative from a similar institution accredited by the Accrediting Commission, one representative who is either a staff member of AICS, a Commissioner or Past Commissioner, and one Subject Specialist who possesses educational background and practical experience in the specialized field.

(f) The selection and qualification of examiners for specialized course offerings shall be determined by the Executive Secretary of the Commission. Subject Specialists shall include professionals with licenses, memberships, skills, reputation, and experience, and shall be qualified by law where applicable or required by the occupational objective. Through a careful selection of Subject Specialists, the Commission seeks to provide uniformity and consistency of the evaluation procedures.

The executed application and self-evaluation forms will be supplied to the visitation team for study prior to the on-site inspection and for verification and comparison during the evaluation.

(g) The Commission encourages sound innovative educational endeavors designed to serve the needs of the student and the community. On the other hand, it must remind the institution that because of its existing institutional accreditation, these specialized offerings must conform to the existing accreditation standards of the institution, where applicable, as approved by the Commission.

Accredited institutions must therefore understand that initiating a new program of special offerings may bring the entire institution's accreditation under review.

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(h) Following the report of the evaluation team, the appropriate Commission Council will consider the application and make recommendations to the full Commission as provided in the *Operating Criteria for Accredited Institutions.*

(i) Should accreditation of the specialized offerings be withheld, the institution shall be notified, in writing, of the deficiencies and advised that appropriate corrections must be made prior to the completion of the first class, or not later than 9 months from the date classes commenced—whichever occurs first.

(j) In the event that the institution fails to correct the deficiencies to the satisfaction of the Commission, within the above prescribed time, the entire institution will be scheduled for reevaluation and the institution will be so notified.

(k) Each specialized offering in an accredited institution will be evaluated once independently and will then become a part of the regular accreditation cycle.

4-2-400—Specialized criteria

4-2-401—Philosophy and Objectives.—Each institution should clearly define the objectives of each specialized offering and should incorporate this definition into a statement which is a pronouncement of its particular role in the educational program of the institution. The institution's integrity is measured not only in terms of its stated purpose, but also in terms of its conscientious endeavor to fulfill the purposes of its specialized offerings. The formulation of the statement of objectives for a specialized offering is a major decision and basic changes should be made only after proper consideration and approval by the appropriate governing body. The faculty should be encouraged to take the initiative in recommending changes in these programs.

The faculty, physical plant, and educational program should be adequate and appropriate to meet the stated objectives of the specialized offerings. These objectives should contribute to the existing and projected needs of the local community.

4-2-402—Specialized Offerings May Be Established in:

(a) Business Schools
(b) Junior Colleges of Business
(c) Senior Colleges of Business

4-2-403—The Educational Program.—The structure of specialized offerings should impart sufficient knowledege and develop adequate skills which fulfill the requirements for specific job objectives. Included also for successful instruction are well-defined instructional outcomes; the selection and use of varied types of traditional and contemporary experience and learning materials; and the use of varied evaluation instruments and procedures in an ongoing educational pattern.

4-2-404—The Academic Staff: Instruction.—The academic preparation of each faculty member should be adequate for the particular area in which he teaches and include practical experience appropriate for the specialized course offerings. The institution will comply with all local, state, and federal requirements as to staff qualifications.

The faculty members should be encouraged to participate in continuous review and updating of course presentations.

4-2-405—The Library and Instructional Materials.—In addition to the stipulations set down in the *Operating Criteria for Accredited Institutions*, the library should contain an adequate supply of books, periodicals, and other reference materials appropriate for the specialized offerings. In specialized offerings it is even more important that the facilities include adequate multimedia and audio visual equipment, films, and other teaching assistances for classroom instruction.

4-2-406—Facilities.—Adequate classrooms, laboratories, and shop areas will be provided in accord with accepted educational standards. The facility will be well maintained and free from hazards and distracting noises. The institution will comply with all local, state and federal laws governing fire, safety, and sanitation.

Appropriate stations, equipment, and supplies for in-training experience should be available in sufficient quantities for adequate student participation.

4-2-407—Admissions; Graduation; Placement.

(a) Admissions Policies—The admission policy shall conform to the institutional policy as provided in the *Operating Criteria for Accredited Institutions*. Should the special offerings be an adult educational program or serve special students in a limited program not requiring high school graduation, the institution will develop and publish an admission policy consistent with the background normally required of those engaged in the occupation. This policy will be uniformly administered to all students and evidence will be maintained to show that the student is fully qualified to study the subject matter for which he is enrolled.

(b) Graduation and Awards—The institution shall confer certificates or diplomas for specialized offerings consistent with its objectives and in compliance with applicable state laws. Where state laws are silent with respect to the right of an institution to confer certificates or diplomas, the practice of the institution shall be consistent with the practices of post-secondary or collegiate education in the general geographic area in which the institution is located.

Requirements for graduation shall be clearly stated in the catalog of the institution or other comparable publication available to the general public and shall be uniformly applied.

(c) Placement—At the time of inspection the institution shall be required to submit full placement statistics or evidence of placement opportunities for graduates of these special offerings. These shall include a demonstration of the availability of job opportunities in this vocation and in the immediate geographic area. Also included in this report shall be a summary of the preliminary market analysis with respect to the basis for originating the specialized offering. The placement report shall be in such detail to allow the inspectors to conduct follow-up sampling of the effectiveness of the specialized offering.

CHAPTER 3—CATALOG CHECKLIST

A checklist of requirements for an acceptable institutional catalog

The Commission requires all accredited institutions and all applying institutions to publish or to cause to be published an acceptable catalog. It is the purpose of this *checklist* to aid the institution seeking initial or continued accreditation in publishing a "good" catalog.

No two educational institutions are alike; consequently, it is not reasonable to suppose that any two catalogs will be alike. Each institution differs from all others, and catalogs must reflect the differences. This comment is made so as to forestall any assumption that the way one school does a particular thing is the way others should do it.

As a general rule, catalogs are intended for many purposes and directed toward a varied audience. The reading public for which such publications are intended would include the enrolled students and their faculty advisers; officers of government and instruction in other colleges, particularly the registrars and admissions officers; prospective students and their parents; and high school principals, counselors, and guidance directors.

The catalog must be a symbol of dignity—it must not be primarily a promotional publication, nor should it be directed toward a particular segment of its varied audience. The catalog is, among other things, an announcement or a record, and it is also a chronicle and *legal document* of the institution concerned.

4-3-100—General considerations

(1) A catalog or bulletin of general information should explain and inform; it should not glorify and extol.

(2) It should tell the essential story of its institution interestingly, unimpassionately, and succinctly.

(3) Since it may, in many instances, be the student's first introduction to the school concerned, it should be so written and printed as to make a good first impression.

(4) It should, in size or proportion, be easy to carry and convenient to file or to place between conventional bookends; in other words, it should not be elongated in girth and stunted in height, for printed abnormalities are annoying to normal readers.

(5) Attractive illustrations might be included; if they are used, they should generally pertain to the institution which publishes the catalog.

(6) It might contain a postage-paid card on which the interested reader may easily request additional publications, information, or an application blank.

(7) It should reflect the dignity of the institution it describes.

(8) Each individual institution must publish a *separate* catalog, the contents of which pertain specifically to the institution which it represents.

NOTE.—Accredited institutions under the same ownership may publish a common catalog. Multiple school catalog requirements are contained elsewhere in the Supplement to Operating Criteria. Institutions contemplating utilization of a common catalog should consult the Commission office for information.

(9) It should *look* like a college catalog.

The catalog MUST contain the following items:

(10) A *Table of Contents* or an *Index*, or both.

(11) An *academic calendar* (calendar of events) showing beginning and ending dates of terms, quarters, or semesters; holidays, registration dates, etc.

(12) An indication, on the front cover, of the year or years (or other period of time) for which the catalog is effective.

(13) A listing of the *administrative officials* of the school or college, with titles and a statement of legal control.

(14) A statement of the philosophy and/or the *objectives* of the institution.

(15) The institution's *admission requirements*, policy, and procedures.

(16) A listing of the *full-time faculty* of the institution, showing
(a) degrees held
(b) institutions awarding the degrees
(c) for junior and senior colleges, the area of teaching specialization

(17) A statement of the *fees*, tuition, and/or regular and special charges.

NOTE.—Items 16 and 17 should be printed in the catalog. If for some substantial reason such is not feasible, fees and other charges and full-time faculty may be listed on a separate enclosure or catalog insert, provided that such enclosures are printed, dated, and identified with the name of the institution. The insert must be identified as a part of the current catalog and the catalog must make reference to the insert. This supplement must be actually enclosed in *each* copy of the catalog.

(18) A statement of the institution's *refund policy*. This policy must be outlined clearly and must comply with 4–1–600(d).

(19) A statement of the curriculums or *programs offered*, including for each
(a) a statement of the objective or purpose of the curriculum
(b) an accurate and complete listing of the courses included in each curriculum
(c) the credit allowed for each subject (clock hours may also be listed)
(d) the total credits required for satisfactory completion of the program
(e) any addition or special requirements for completion (e.g. typing, shorthand, etc.)

(20) A description of each *subject* (course) offered, including
(a) identifying number
(b) title
(c) credit allowed
(d) prerequisites, if any
(e) a complete but concise description of the contents of the course (subject); the topics covered.

(21) A definition of the unit of credit used.

(22) A statement pertaining to the nature and extent of *student services* offered and the *extra-curricular activities* available.

(23) If the institution is now accredited, a statement to this effect (the statement must conform to the Commission's requirements; see the *Operating Criteria for Accredited Institutions*).

(24) An explanation of the grading or *marking system* employed.

(25) A complete and accurate listing of all scholarships offered (See **4–1–700**).

Inclusion of the following items is encouraged—any or all of them would contribute to the completeness of the catalog:

(26) A listing of the *part-time faculty*, including the degrees held and the institutions granting the degrees.

(27) A description of the certificates, diplomas, and/or degrees awarded, together with a statement of the requirements to be met in each instance.

(28) A listing and explanation of any honors or prizes awarded; a listing of fraternities, sororities, and honor societies.

(29) A statement pertaining to housing accommodations if other than local students are enrolled; descriptions and pictures of dormitories.

(30) An historical account of the institution.

(31) A statement of official rules and regulations.

(32) A statement of the associations in which the institution maintains membership.

(33) A statement indicating whether the institution is public or proprietary, co-educational or men or women only, and whether it is a single proprietorship, a partnership, or a corporation.

4-3-200—Multiple school catalog criteria

(a) All schools utilizing a common catalog must be of common ownership. ***Institutions contemplating utilization of a common catalog should consult the Commission office for information.***

(b) Pictures of the physical facilities of any of the schools must be captioned to identify the particular school depicted; and if a picture of the classroom and administrative building and/or dormitory(s) of one school is used, pictures of the same facilities of the other school(s) must also be used and identified.

(c) The faculty and staff of each separate school and the members of the general administration exercising supervisory responsibility for the group of schools must be clearly identified with respect to each school and the overall administration.

(d) Any information contained in the catalog that is not common to all schools in the group should be presented in such manner that no confusion, misunderstanding, or misrepresentation is possible.

(e) In all other respects the catalog must comply with the existing Criteria of the Commission.

[From National Home Study Council, Washington, D.C.]

FACTS ABOUT THE NATIONAL HOME STUDY COUNCIL

WHAT IT IS AND THE EDUCATIONAL INSTITUTIONS IT REPRESENTS

The National Home Study Council is the association of 188 leading accredited home study schools, which serve more than 1.5-million correspondence students in all 50 states and many foreign countries. Its member schools offer some 500 different academic, vocational and avocational courses by mail, using texts, study guides and workbooks, as well as recordings, slides, sample material and kits.

From its Washington headquarters, the NHSC serves as both a clearinghouse of information about the home study field, and as the accrediting agency for private correspondence schools. For 47 years, since its establishment in 1926, it has been the standard-setting agency for the home study field: promoting sound education and good business practices. All NHSC member schools must be accredited.

The independent nine-member Accrediting Commission of the National Home Study Council (five public members, and four from within the home study field) was established in 1955 and shortly thereafter gained the approval of the U.S. Office of Education as the "nationally recognized accrediting agency" in its field. The Commission sets ethical, academic and administrative standards for all accredited schools—and enforces them.

Schools and their courses are subject to continuing examination and evaluation by the Commission, involving on-site inspections by qualified home study educators and thorough course reviews by independent subject-matter specialists.

Accreditation means that school has: competent faculty, educationally sound and up-to-date courses, careful admission screening of students, satisfactory educational services, amply demonstrated student success and satisfaction, reasonable tuition charges, truthful advertising, and financial ability to deliver high-quality education.

The number of NHSC-accredited schools has doubled in the past ten years; the number of students enrolled has similarly doubled.

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STATED ADVANTAGES OF HOME STUDY

Access: as close as the nearest mailbox. The school comes to the student.

Pace: all students do not learn at the same rate, and individuals do not learn all subjects with equal ease.

Flexibility: study time can be fitted around job hours or other activities.

Practicality: emphasis is on learning what's most needed.

Economy: student pays only for wanted courses, which are generally less expensive than resident study.

Availability: student has broad field of subjects to choose, regardless of residence locale.

Individuality: each student is in a class of one and has his instructor's complete attention.

Instructional Effectiveness: student is graded every step of the way, gets feedback on progress, can go back at any point to assure understanding.

THE HOME STUDY STUDENT PROFILE

The typical student is married, has a family, and finds it difficult to leave his job to attend a resident school. Craftsmen and foremen make more extensive use of correspondence courses than any other civilian group, according to a Carnegie Corp. study of recent years.

Professional and technical workers are the next major category of users, followed by students working toward a high school or college diploma, and then to a lesser extent, managers, officials and clerical personnel. More than 10,000 business and industrial companies rely on home study courses for on-the-job training of their personnel. Students in more than a thousand high schools regularly pursue home study courses on a supervised basis. Nearly half the adults taking correspondence courses live in small communities of less than 50,000 population.

Motivation to take courses varies—from preparing for a different or better job to seeking an added dimension in life-style. School dropouts complete high school studies through the mails. Electronic engineers keep up on advancing technology. Military men and others about to retire prepare for civilian or second-careers. Housewives take courses to prepare themselves for a job outside the home or to pursue avocational interests. Employees ready themselves for managerial positions.

A LONG HISTORY

Perhaps the first offer of a home study course in the U.S. appeared in the Boston Gazette of March 25, 1728 when one Caleb Philipps offered to teach a "New Method of Short Hand": "Any Persons in the Country Desirous to Learn this Art may by having the several lessons sent Weekly to them be as perfectly instructed as those that live in Boston."

Formal Correspondence schools were a product of the 19th Century industrial revolution, organized to supply technical knowledge for the coming machine age. They appeared in England before 1850, then in Germany and France, and finally reached the United States after the Civil War.

Today several hundred schools—civilian and military—have more than five million Americans enrolled in correspondence courses—about two-thirds as many students as attend all U.S. colleges and universities combined.

THE EXPANDING NEED FOR HOME STUDY

Rapid technological changes are opening up new job opportunities and require training. Changing job patterns and markets require continuing education and a continual upgrading of skills. Increased leisure time encourages new avocations which can be self-taught. The average worker may soon expect—or be expected—to hold five to nine different jobs during a working career.

Further, the official census figures of the past decade show that in the 12 million new jobs added to the work force, women filled two-thirds of them, and the trend to equal employment for women opens up new job opportunities and new training needs. The contemporary woman, getting ready to enter or re-enter the job world, can brush up on old skills or learn new ones through home study courses.

NATIONAL HOME STUDY COUNCIL STANDARDS FOR CORRESPONDENCE SCHOOLS WITH STUDENTS ENROLLED UNDER THE GUARANTEED STUDENT LOAN PROGRAM

Schools accredited by the Accrediting Commission of the N.H.S.C. may participate under the Guaranteed Student Loan Program:

(a) In accordance with the provisions set forth in Title IV, Part B of the Higher Education Act of 1965 as amended and the regulations promulgated thereunder by the United States Office of Education of the Department of Health, Education, and Welfare; and

(b) Subject to the Standards of the Accrediting Commission of the N.H.S.C. and these special Standards. These Standards apply to schools enrolling students under the Guaranteed Loan Program whether the loan has been made by a third party lender or by the school acting as an eligible lender.

1. A person who applies for a Guaranteed Student Loan at the time of application for enrollment is a Guaranteed Student Loan applicant. The school has the right to begin servicing the Guaranteed Student Loan applicant in accordance with its usual practice.

2. A Guaranteed Student Loan applicant must meet the same acceptance requirements as any other applicant.

3. A Guaranteed Student Loan applicant becomes a Guaranteed Student Loan student upon receiving notification from the lender that his loan has been approved by the Department of Health, Education, and Welfare.

4. A Guaranteed Student Loan applicant, upon notification of the disapproval of his application for such a loan, shall receive an automatic cancellation of his contract from the school with no financial obligation on the part of the applicant and an immediate refund of any monies paid to the school under this enrollment contract.

5. The amount of the loan to a student enrolled in a course that does not include required terminal resident training shall not exceed the cash price for the course less the down payment. The cost of loan insurance and state and local taxes may not be included as a part of the loan.

6. A loan to a student enrolled in a course with required resident training will be made in accordance with Standard 6, but the amount may also include reasonable expenses for the required resident training. In such event loans must be made in two separate increments with the disbursement of the amount for such resident training expenses being made only at the time the student reports to the school to begin the resident portion of the course.

7. The school must establish a required minimum down payment for each course. The school may service the Guaranteed Student Loan applicant and may process a loan application only after receipt from the student of at least the sum of money required as the minimum down payment.

8. The school must require that the applicant, at time of application, acknowledge to the school in writing that he understands he has applied for a Guaranteed Student Loan and, if the loan is made, he is obligated to repay the loan.

9. At the time of enrollment, the school must obtain the following authorization certificate from the student applying for a Guaranteed Student Loan.

AUTHORIZATION CERTIFICATE FOR GUARANTEED STUDENT LOAN PROGRAM

------------------------ 19----

I hereby authorize and direct the ------------------------ (lender) to pay the proceeds of my loan evidence by a note dated ------ for $------ to ------------------ (school) in full payment for my tuition and charges for my course. Any refund which may be due me shall be sent by the school to the lender and applied against the then outstanding principal balance.

(Signature) ------------------------ (student)

10. Where an eligible school acting as a lender or arranging a Guaranteed Loan on behalf of the student receives the proceeds of the loan directly from the lender, any refund due the student must be paid by the school in accordance with

N.H.S.C. Standards directly to the lender to be applied against the outstanding loan balance.

11. An eligible school may make loans only to students enrolled in its own home study courses.

12. No claim shall be made to the Federal Government under the guarantee provision for an amount of unpaid principal balance that exceeds the amount of the loan as this amount is finally determined under the terms of the school's Cancellation and Settlement Policy, less that school's established percentage of uncollectable value for non-loan student contracts.

13. Schools participating in the Guranteed Student Loan Program will refer to such participation in any common media advertising only in the following manner: "Eligible Institution Under the Guaranteed Student Loan Program."

14. In administering this program, a school must use the forms required by the U.S.O.E. and the Accrediting Commission and make periodic reports on procedures, loans, repayment and claims as required by the Commission.

EDUCATION—CORRESPONDENCE COURSES OFTEN PERFECT FOR ADULTS

(By Dr. Leslie J. Nason, Univ. of Southern California)

Do you ever say any of these things:

"I should get more education, but I can't tie myself down to meeting classes on a regular schedule."

"I am afraid I have been out of school too long and could not compete with the youngster fresh from learning in other classes."

"I may be too slow or perhaps I would be bored."

"What if I should fail?"

If you do, a correspondence course may be the answer. You wouldn't be alone. Enrollment in all types of correspondence schools during 1967 totaled over five million.

More than 800 organizations including the federal government, military establishments, colleges and universities, religious organizations, and business and industrial firms, offer correspondence courses.

Use correspondence courses to get into the swing of learning again. They give you a wider choice of subjects and you can pick one that meets with your personal needs and desires. With no teacher present, the emphasis is on the student learning what he needs to know. Instructional materials from accredited schools are up-to-date, clearly written and easy to understand. It is not difficult to locate an accredited school that offers the courses you are looking for.

The National Home Study Council has been the standard setting agency for private home study schools for nearly half a century. The Commission publishes a Free Directory of Accredited Private Home Study Schools. Write to: NHSC, 1601 – 18th Street, N.W., Washington, D.C. 20009.

Home study courses require more self-discipline than any other type of continued education. Realizing this, an adult entering upon such a course should plan his activities carefully. Here is where a scheduled time and place for studying is important. Don't wait for a free day or evening that you can devote to the course. An hour or two of regularly scheduled time, three or four days a week, will produce more lasting learning than large chunks of time spaced out at greater intervals.

As a correspondence student, you must learn to study as you read. It is more important than ever that you "recite" to yourself, putting the ideas into your own words. Frequent reviews are essential. Directions for each written assignment should be thoroughly studied. Assignments should be roughed out, revised and carefully edited to eliminate errors in spelling and sentence structure.

Each corrected assignment should be reviewed carefully. The student should think over each correction or suggestion, asking himself "How should I have realized the correct procedure?" In this manner, he is giving himself training not only in reading comprehension, but in the discipline of understanding and following directions precisely.

There is much more to be learned through a correspondence course than the subject matter involved.

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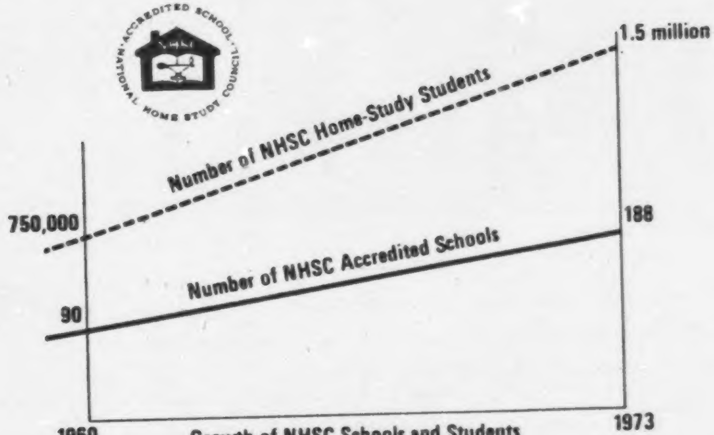
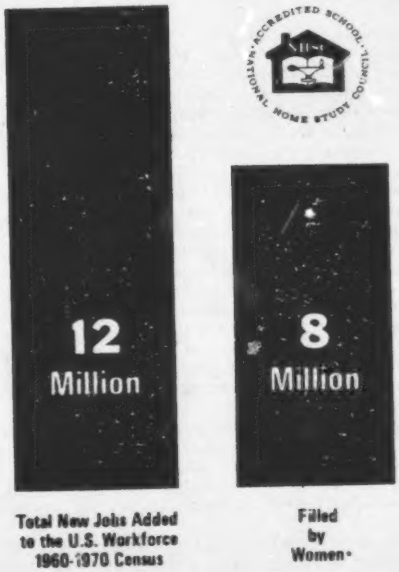


Growth of NHSC Schools and Students



*At the present time, half a million women are enrolled in home study courses -- preparing for new employment, brushing up on old skills and pursuing hobbies.

[From The Washington Post, June 23, 1974]

PROFIT-MAKING SCHOOLS: DECEPTION AND EXPLOITATION CHARGED

(By Eric Wentworth, Washington Post Staff Writer)

Businessmen who run schools to make money have, in many cases, been exploiting federal student aid programs at the expense of the young Americans those programs are supposed to benefit.

Salesmen motivated—like the schools' owners—more by earnings than educational ideals have gone hunting for customers in the ghetto of Atlanta, Boston and Los Angeles, in the public housing of Ardmore, Okla., in the food stamp lines of San Antonio, Tex., in the barracks of Army bases in West Germany and even in a halfway house for mental patients in the Pacific Northwest.

Dangling dreams of quick training for well-paid jobs as computer programmers, color-television technicians, executive secretaries, motel managers or airline hostesses, they have lured young consumers into contracts that often lead to debts and disillusionment.

One victim, an Atlanta welfare mother, complained a finance company was dunning her to repay nearly $500 on a federally insured student loan for three weeks she spent at a local business college. She dropped out because conditions were poor and the school wanted more money.

Another, a veteran in Duluth, Minn., wrote his congressman in desperation because a Chicago bank was demanding a $405 repayment on his student loan which he didn't think he owed. He had been lured into a correspondence course in color-television technology, dropped out because the course proved too difficult, and said the school was refusing to help straighten out his problems with the bank.

In another case, a group of young people recruited by an airline personnel school in Hartford, Conn., through what they allege were numerous false claims are suing the school for damages. The majority had been signed up to federally insured loans to help pay their tuitions.

Salesmen eager for commissions have often failed to spell out the financial fine print when they sign up unsophisticated customers to enrollment contracts and loan applications. They have sometimes misled them to think, for example, that they will only have to repay their loans after landing that job for which they'll be trained.

Many young customers come from low-income families, hold unrewarding jobs—if they're employed at all—and have missed out on less costly educational opportunities such as public community colleges.

PROTECTION LACKING

Yet the government, while offering subsidies for their schooling—subsidies which salesmen use as bait—has failed time and again to protect these young Americans from fraud and needless financial losses.

At the same time, the government has failed to protect the taxpayer. It has doled out tens of millions of dollars on insurance claims for defaulted student loans and tens of millions more on GI Bill benefits for wasteful correspondence courses.

These conclusions result from months of reporting by The Washington Post on education's profit-seeking sector and the public and private agencies which are supposed to keep it honest.

The multibillion-dollar industry has thousands of members, from mom-and-pop secretarial schools in small Southern towns to nationwide chains and correspondence course factories owned by International Telephone and Telegraph, Control Data, Bell & Howell, Montgomery Ward and other large corporations.

While enrollment figures vary widely, the Federal Trade Commission has estimated that industrywide total at more than 3 million students—which would be at least one-third of the total for all public and private non-profit colleges and universities. Bell & Howell alone recently reported 150,000 students in its correspondence courses and another 10,000 in classrooms, which would make it as large as the entire University of California system.

What sets the industry's members apart from UCLA, Yale or your local community college is that they're all commercial ventures, selling education for profit.

A number of businessmen-educators undoubtedly run respectable operations. Advance Schools of Chicago, one of the big correspondence schools relying heavily on federally insured loans and the GI Bill, is eyed askance by some who find its reputation somehow too good to be true. But Sherman T. Christensen, founder and now chairman of Advance Schools, makes a strong case that its recruiting is scrupulous, its business practices ethical and fair, its courses properly educational and its 72,000 students relatively satisfied.

On the other hand, scores of interviews with a variety of sources and scrutiny of numerous public and confidential files have turned up many examples involving other schools of deceptive advertising, predatory recruiting, wrongful withholding of refunds and other unscrupulous or irresponsible practices.

Industry spokesmen, sensitive to occasional exposes, contend profit-seeking schools shouldn't be singled out for criticism. After all, they argue, nonprofit colleges, hard-pressed to fill classrooms and balance budgets these days, have begun to resorting to commercial recruiting tactics, too.

But the fact remains, based on available evidenece, that it is in the profit-seeking sector where abusese have been more frequent and extreme, and where the human as well as the public costs have so far been the greatest.

Dropout rates have exceeded 50 per cent in some profit-seeking classroom schools and run 75 per cent or more in many correspondence schools. True, rates are also high among nonprofit private and public colleges—where one 1971 study showed fewer than half the freshmen would finish two-year programs and only one-third would finish four years.

But the profit-seekers, selling shorter courses aimed at specific careers, could be expected to have lower rates than most. Their dropouts, who in most cases have signed contracts to take any pay for an entire course, often quit at an early stage. Students at nonprofit colleges usually pay by the semester, and dropouts tend to leave at semester's end.

Neither profit-seeking nor nonprofit schools boast perfect scores in graduate job placements—witness recent reports of Ivy League graduates driving taxicabs. But for the profit-seekers, training for jobs—stripped of broader educational objectives—is the name of the game.

Certainly profit-seeking schools have been setting the pace when it comes to marketing. They advertise widely in all sorts of magazines—from Penthouse to Popular Mechanics—as well as newspapers and the Yellow Pages. They promote their services on matchbook covers and postcards, as well as television. Some use mass mailings. Others canvass by telephone. And those that find salesmen productive.

According to a detailed 1970 report on the industry by Edubusiness, Inc., of New York Citiy, profit-seeking schools generally spent only about 20 per cent of their budgets on instruction but up to 60 per cent on marketing.

"Good sales representatives," Edubusiness reported, "command annual salaries considerably higher than those according the teacher staff."

One recent exmaple was the magazine ad to recruit salesmen run last fall by Atlantic Schools, a subsidiary of National Systems, Inc., selling courses in the airline-travel field. "Generous commissions!" the ad promised. "Just five sales per month can earn you over $10,000 annually. Many of our salesmen earn more than $20,000 per year—and up to $60,000."

Weaver Airline Personnel School, advertising for salesmen in The Washington Post help-wanted columns last Nov. 18, offered salesmen "high commissions plus monthly annual bonuses and our TOP reps have won extra bonuses, from a car to a European vacation."

While some profit-seeking schools for one reason or another have shunned heavy involvement in federal programs, others have increasingly used them to fullest advantage to enroll large majorities of their students.

In the federally insured student loan program, for example, profit-seeking schools generally have been accounting for about one-third of the total multibillion-dollar volume. But in the 1973 fiscal year, according to government figures, three school owners alone—Advance Schools, Bell & Howell and Montgomery Ward—enrolled more than 200,000 insured-loan borrowers. In the

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January-March, 1973 quarter, those same three accounted for more than $45 million in new-loan volume, or nearly 20 per cent of the total for all institutions in the program.

And according to Veterans Administration data published last fall, a dozen profit-seeking schools each enrolled more students under the GI Bill during 1972 than even the largest state university campuses.

Profit-seeking schools gained access to the federal student subsidies in the mid-1960s. Congress followed the precedent of prior veteran-aid programs in including them when it revived the GI Bill in 1966. The lawmakers made them eligible for the insured-loan program, and since then for other Office of Education student aid, on grounds that vocational education under all legitimate auspices merited more recognition and support.

Eligibility for these programs greatly broadened the potential student market for profit-seeking schools by giving millions of young people the financial means to enroll. It was doubtless a factor, in the late 1960s, in attracting Bell & Howell, McGraw-Hill, Montgomery Ward, Control Data, ITT, Lear Siegler, LTV and other corporations into what seemed a lucrative new field. Their involvement, through acquisitions and new ventures, brought fresh resources and apparent respectability to an industry still dominated numerically by far smaller enterprises.

Education profits have in fact proved elusive for many companies, large and small. A variety of management problems, the rising rivalry of low-tuition public community colleges, and a roller-coaster national economy have spelled slim earnings for quite a number and heavy losses for some. LTV and Lear Siegler have cashed in their chips.

Most companies, however, are staying in the game. And the industry as a whole has clearly emerged from the educational backwaters it inhabited for decades into the mainstream. Looking ahead, school owners can expect a new boon for recruiting if the government's recent "basic opportunity grants" for low-income students are funded at more than $1 billion as the Nixon administration has proposed.

DEVELOPING SHIFT

Moreover, they stand to gain at least in the short run from the developing shift in student goals away from traditional liberal arts degrees and into programs geared toward work-world careers. Meat-and-potatoes career training, after all, is the industry's long-claimed specialty.

North American Acceptance, in turn, was acquired and owned until recently by Omega-Alpha Corp., the conglomerate that financier Jim Ling put together after his ouster from control of LTV.

Under new ownership, Blayton built enrollment by aggressive recruiting. By one account, a team of salesmen would telephone local high school graduates. The salesmen would offer them a ride to the school in a company-owned station wagon to inspect its facilities—including the plushly furnished president's office and reception rooms—and to view a recruiting film.

Those persuaded to enroll would be signed up, in practically every case, to a federally insured loan from North American Acceptance. All told, according to Office of Education estimates, the finance company's insured-loan volume soared by last summer to $1.3 million.

By last August, however, the federal agency's Atlanta office became concerned by Blyton's high dropout rate and a growing number of loan defaults and complaints from onetime students.

One handwritten complaint came from Linda Sloan, an Atlanta welfare mother. "I have received a number of letters and telephone calls from North American Acceptance," she wrote. "They are asking for money that I do not think they deserve. They are telling me that I borrowed almost $500 from them. I have never been there before in my life. This money is for a couple of weeks that I went to Blayton Bus. College.

"I signed a contract but was not permitted to read it because they said that it changed so often that 'by the time you start classes it will be different.' I was also told that during the first week of school, I would be offered a job. (None of this was true.)

"I went for about three weeks," she continued, "and after I found out that I was expected to pay over $1,000 I went to the office and told them I had quit. All they said was o.k. They didn't even make a note of it.

"I have been telling these people that I do not have a job, but they keep making all kinds of threats. They say I went to school for 35 days. I did not. I didn't even have a perfect attendance record the short time I was enrolled. The conditions there were poor, and I think it is unfair for them to force me to pay this much money for nothing. . . ."

STUDENT WALKOUT

Last Aug. 20, an estimated 150 students—three-fourths of Blayton's largely black total enrollment at the time—staged a walkout to dramatize their complaints about the school. Their long list of grievances included a misleading catalogue (in which white employees of North American Acceptance allegedly posed in photographs as students so it appeared the school was integrated), low admissions standards, unqualified teachers, insufficient equipment, unavailable courses, deceptive sales pitches and exorbitant tuition.

The students were also upset by the resignation of Mrs. Terry Davis, the school's black placement director.

Mrs. Davis said she had become disenchanted herself by the school's inferior quality, which made it hard for her to find jobs for its graduates, and was frustrated by undue restrictions on her work. The last straw came, she said, when the school's administrators—who claimed later that she had been unproductive—sought to hire a second placement director without telling her.

The Blayton students who walked out evidently hoped their demonstration would force the school to make some improvements. Student protests had been common enough on college campuses. Occasionally they had led to violence—far more often, to reforms.

The last thing the Blayton protesters expected was that the school's administrators would summarily expel them. But that, in fact, was what happened.

And with publicity about the protest causing enrollment cancellations among fresh recruits scheduled to start classes in October, Blayton officials decided they would simply close down the school when the summer term ended.

While the expelled students reportedly had partial refunds credited to their North American Acceptance loan accounts, depending on how long they had been enrolled, they were still faced with repaying the rest of their loans—for an unrewarding, unfinished, dead-end education.

Edward L. Baety, a lawyer retained by Mrs. Davis to represent her and the students, decided to file suit against North American Acceptance to free the students if possible from their repayment obligations.

He was "on the way to the courthouse," Baety said, when he picked up a newspaper, read that North American was filing for bankruptcy, and gave up his mission.

HUGE LEGAL TANGLE

Baety said recently he saw little hope for the students in adding another relatively minor lawsuit to what has become a monstrous legal tangle. The collapse of North American Acceptance (sold by Omega-Alpha last August to GCI International, Inc., a California holding company) has touched off a flurry of investigations plus class-action suits on behalf of some 12,000 Georgia investors who were left holding an estimated $40 million in short-term North American Acceptance notes.

And the Blayton students weren't out of the woods. Robert E. Hicks, North American's court-appointed trustee, said he was legally obligated to "maximize" the finance company's assets in the interests of its creditors. That meant, he added, that an "effort will be made"—however unpopular—to collect from the student borrowers.

Should the students refuse to repay their loans, North American Acceptance through its trustee would presumably file claims for federal insurance on the defaults. And if the government paid those claims, it would then set about collecting from the students itself.

As things stand, the insured loan program allows forgiveness of debts only for death, disability or personal bankruptcy.

Time and again, where a profit-seeking school misled or short-changes its students, overlooked Office of Education collection officials have been later assigned to extract money from the victims.

Said one official, "I can't find it in my own conscience to go out and collect from these people."

[From The Washington Post, June 24, 1974]

FOLDING SCHOOLS INCREASE LOAN DEFAULTS

(By Eric Wentworth, Washington Post Staff Writer)

When Technical Education Corp. of St. Louis abruptly folded last fall, Judy Rodriguez of Ottawa, Ill., was one of thousands of students taken by surprise—or, she later suspected, simply taken.

Like students at a number of other profit-seeking schools which exploited federally insured student loans in recruiting, she wound up a victim rather than a beneficiary of the government program.

Miss Rodriguez, a 22-year-old drugstore clerk, signed up in October, 1972, for Technical Education's correspondence course in data processing. She made a $100 downpayment, and applied for an $890 federally insured loan to pay the balance.

She had completed about 60 lessons last October when Technical Education ran out of money and its creditor, EDCO Financial Services of Los Angeles, foreclosed.

EDCO set up a new school in Phoenix, Ariz., and said it would finish training Technical Education's stranded students.

But there was a catch. The now-defunct St. Louis school had spent all the tuition revenue from Miss Rodriguez and as many as 3,000 others who had paid in full with insured loans when they first enrolled. Hence, EDCO said, it would have to charge them extra for its own services.

Anxious to finish the course and get a certificate, Miss Rodriguez reluctantly took EDCO up on its offer and has spent an extra $100 so far—at $3 for each lesson she submits for grading.

Her original contract with Technical Education, she said, also covered tuition, travel and living costs for two weeks of classroom training in St. Louis. EDCO would provide that training in faraway Phoenix—but it would cost her an additional several hundred dollars which she can't afford.

Nor, Miss Rodriguez said, can she afford, on a drugstore clerk's salary, to repay the $890 federally insured loan which is supposed to come due this summer. (She assumes a bank or finance company will start dunning her, though she has no idea who—if anyone—holds her loan note.)

"I don't feel I owe anybody anything," she complained. She could refuse to pay the note-holder, who could then file a default claim and collect the federal insurance. But then the federal government itself would try to collect from her.

SORRY EXPERIENCE

Ideally, Miss Rodriguez would like to get her money back and put the whole sorry experience behind her. She has written letters about a refund without success. Technical Education, of course, is insolvent, and EDCO says it isn't responsible for Technical Education's liabilities. The government, under existing law, can neither pay refunds nor forgive student debts.

Malcolm H. Harris, EDCO chairman, said he understood that possibly 3,000 young students who had enrolled in Technical Education's courses with insured loans were owed anywhere from $300,000 to $3 million in unpaid—and apparently unpayable—refunds. (Nobody seemed sure of this figure.)

"Unfortunately and unjustly," Harris said, "I think they have really had the course. They're up the creek without a paddle."

The plight of Judy Rodriguez and other former students of Technical Education in the same boat—one U.S. Office of Education official called it a "horrible, lousy, stinking situation"—would be serious enough in itself.

In fact, it is only one of many problems that have cropped up in the past two or three years where profit-seeking schools were exploiting the insured-loan program to boost their enrollment revenues. In case after case, the students, whom the program was intended by Congress to benefit, have been the ones to suffer most.

School owners, some of them using misleading ads and hordes of glib salesmen, have lured thousands of young Americans into debt for training opportunities that turned out to be dead ends rather than promising paths to high-paid jobs. For many victims, these were debts and dissilusionments they could ill afford.

The sorry scenario goes as follows:

The salesman signs up his young customers to an enrollment contract and insured loan application. He may gloss over the fact that they will be going into debt. He may imply that they will only have to pay off the loan after landing that lucrative job after training, or that Uncle Sam will pick up the tab if necessary.

In any event, the salesman gets his commission or adds to his sales-quota body count. The school owner himself gets ready front-end cash, since the loan proceeds usually provide him with the full tuition revenue before the young borrowers even enter the classroom.

The prospective students meanwhile, are caught up for the moment in heady dreams of a new life as computer programmers, executive secretaries or other skilled and well-paid jobholders.

Then the dreams start going sour.

Many students start their training but soon drop out. They may have found inferior lesson materials, inadequate equipment, unqualified instructors, overcrowded classes, indifferent administrators or other shortcomings they hadn't expected. Conversely, despite the salesman's assurances, they may have found the course too difficult for students with limited prior education.

UNEXPECTEDLY STRANDED

Others stay with their courses but then are unexpectedly stranded when the school's owner—for financial or other reasons played close to the vest—suddenly decides to shut down.

Students elsewhere who are able to finish their courses often discover the school's placement service is less than promised, or that their costly training carries little weight in any event when they go hunting for jobs themselves.

All these unfortunate individuals, however—like all the luckier student borowers at other institutions—wind up with insured loans to repay.

It doesn't matter whether the ones who dropped out or were stranded got whatever refunds they had coming to them. And it doesn't matter whether those who finished the course got their money's worth.

Victims of this scenario and its many variations have turned up all over the country.

Barbara Rice, trying to support three children on a secretary's salary in California, was faced with a $1,500 insured-loan debt she couldn't afford for a court-reporting course. She never finished the course because the school, technically nonprofit Riverside University, was driven out of business when the state sued it for fraud.

In Hartford, Conn., Terry Allen and other former students of Atlantic School's airline personnel course have charged the school with fraud in their own lawsuit. Allen was angry when the school fell far short of the salesman's rosy description, and angry, too, when he couldn't get an airline job afterward. Then he was angry all over again when a savings and loan association in the Dakotas demanded repayment of his $600 insured loan—which he has refused to do.

It's hardly surprising that thousands of young borrowers who have had experiences of this sort at the hands of a number of profit-seeking schools have been angrily or desperately defaulting on their loans.

The Office of Education doesn't know for certain how many defaulters have legitimate if unavailing complaints against such schools—as opposed to deadbeats and ordinary hardship cases throughout the $6.7 billion loan program.

Hence, it doesn't know how much they are contributing to the total default volume for students who attended all types of private and public institutions.

CONTROVERSIAL LEVELS

It does know, however, that the overall volume of defaults is reaching costly and controversial levels.

By January of this year, the government had paid nearly $76.3 million in federal insurance to private lenders for 81,200 defaults, plus another $62.9 million to state and private loan-guarantee agencies whose default payments it partially reinsures.

Federal officials do have some indications, however, that borrowers enrolled by profit-seeking schools have been producing at least their share of defaults.

One limited analysis, in fact, showed students enrolled by such schools accounting for 10 to 15 per cent of total federally-insured loan volume and later, at repayment time, for about 75 per cent of the defaults.

Moreover, the government agency's files contain a growing number of cases in which particular profit-seeking schools have short-changed their insured-loan students by one means or another—including failure to pay refunds to disillusioned dropouts.

Though students like Judy Rodriguez didn't know it, Technical Education Corp. had repeatedly been in trouble with the government before it folded. In a July, 1969, Federal Trade Commission consent order the company agreed to cease and desist from a number of alleged sales deceptions.

Then, in October, 1971, the Office of Education suspended Technical Education's authority to make its own federally insured loans on grounds it had been signing up ineligible high school students.

In March, 1973, the Office of Education also stopped insuring loans for Technical Education students from other lenders—which effectively barred its use of the program altogether.

A federal auditor's report, released subsequently, estimated that as much as 60 per cent of some $3 million in insured loans to Technical Education students were in fact uninsurable because the borrowers had still been in high school, had enrolled but never started training, or had started but dropped out.

The auditors added that Technical Education had been "extremely slow, in most cases," in making refunds to those borrowers.

Finally, a month after Technical Education went broke, Judith Roman of the Greater St. Louis Better Business Bureau disclosed in a confidential report that there had been many complaints about the school's advertising, sales tactics, instructional services and failure to make refunds. "Letters promising still undelivered refunds to students go back as far as January, 1973," she reported.

For his part, Charles R. Johnson, Technical Education's president, said he was "a little bitter" about the whole experience. He said his school had taken advantage of the insured loan program to compete with larger rivals but found it "the worst thing that ever happened to me."

$900,000 IN LOANS

Johnson said the Office of Education "broke us" after March, 1973, when it held up insuring some $900,000 in loans for new students until refunds to former students were paid.

He said he vainly asked the federal agency to assure the lender that insurance would be forthcoming once the refund obligations were met. Then came the auditors' report, which he called "ridiculous . . . unreal."

Johnson said his school went ahead with educating the new students even without tuition revenue from their still-uninsured loans. The Office of Education kept stringing him along while the company's cash pinch tightened, he said, and finally, "We just ran out of money."

How many Technical Education students with loans insured earlier will ultimately default won't be known for a while. But federal officials have repeatedly found high default rates from schools which didn't make the refunds they were supposed to—either to drop-outs or students they had stranded. Students who feel a school owes them money are less likely to pay their own debts.

Two years ago, for example, federal officials looked at the records of Marsh Draughon Business College in Atlanta, one of nearly 40 small schools throughout the South which LTV Corp. had bought a few years earlier when education seemed a rich new frontier for American business.

The officials were concerned because former Marsh Draughon students were defaulting on their loans at a high rate—later analysis showed nearly 62 per cent of them weren't making repayments. Their investigation disclosed that among 113 individual defaulters, 95 were owed a total of nearly $60,000 in unpaid refunds.

LTV executives, alarmed, sent their own audit team to check the books of all LTV schools. The results produced a shock in LTV Tower, corporate headquarters in Dallas. According to the auditors, the school chain owed former

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students who had dropped out at least $5 million in unpaid refunds—more than wiping out the supposed profits previously on the books.

The former LTV students, it turned out, were relatively lucky. The big conglomerate, 21st last year on Fortune magazine's roster of the 500 largest industrial corporations, decided it would, belatedly, make good on the refunds. (Faced with operational problems as well as unexpected red ink, it has also sold off all its schools.)

Other school owners, faced with financial problems or threatened investigations, have simply shut down their schools.

Last June, the Office of Education wrote one industry accrediting group, the Association of Independent Colleges and Schools. Thirteen of the group's schools, the Office of Education complained, had closed within eight months "without delivering the educational services for which a large number of student borrowers have paid in advance from proceeds of federally insured student loans. . . ."

"Questionable recruitment and admissions practices have usually resulted in an alarmingly high dropout rate by these institutions prior to their closure," wrote John R. Proffitt, director of the Office of Education's accreditation and institutional eligibility staff. "Accordingly, many of these institutions lacked the financial capability to meet required student refund liabilities because of apparent mismanagement."

Questionable at best were practices which the accrediting association had already uncovered at one of the 13 schools. Community College in San Antonio, Tex., had been recruiting 80 to 85 per cent of its students under the insured loan program, and by the summer of 1972 had run up a total loan volume of some $3.5 million. More than 55 per cent of some 1,755 recruits had dropped out.

Jack H. Jones, Florida school owner and association leader who was sent to investigate the school in September, 1972, found its salesmen had been recruiting large numbers of welfare recipients—three salesmen, in fact, had been assigned to a local welfare office where people came to get food stamps.

"A very high percentage of these welfare recipients," Jones wrote in his confidential report, "were migratory farm workers who could be expected to remain in the area only short periods of time before moving on to another part of the country, automatically producing a dropout that would be very profitable to the institution under a strict interpretation of the [association's] refund policy, but a windfall under the distorted policies administered by the institution."

$500,000 OWED

All told, Jones reckoned, Community College owed its former students some $500,000.

Hardly less callous was the attitude Jones and a colleague had encountered a few months earlier when they investigated another of the 13 schools—Delta School of Commerce in Shreveport, La.

"Although instructors appeared dedicated to a job of educating the young people," they reported, "management appears to have no interest in the welfare of the student body.

"Top management," they continued, "apparently had devoted itself to the collection of substantial sums of tuition in advance and the utilization of its capital in acquiring or opening other institutions for the purpose of obtaining additional windfalls."

A new owner acquired Delta School of Commerce in the late summer of 1972, accrding to Louisiana authorities. Then in February, 1973, the Louisiana attorney general's consumer protection unit in Shreveport began investigating a student's complaint about an unpaid refund. A few days later, Delta School of Commerce announced an "early spring vacation," closed its doors and has never reopened.

A federal official's confidential memo, based on an investigation of school problems in the South, describes a blatant pattern of loan-program exploitation:

A school owner makes a deal with a bank, which agrees to pay his school a specified sum, say $150,000.

The school owner then sends salesmen to recruit 100 students and sign them up for $1,500 loans to cover tuition. The salesmen also get the students to sign papers authorizing the bank to turn over the loan proceeds directly to the school.

The bank then pays the school the $150,000 as agreed, frequently without contacting the borrowers or making sure they show up for classes.

This way the school owner has his cash. The bank gets federal interest subsidies on the loans while the borrowers are supposedly in school, and the protection of federal insurance if they default.

Only the unwitting students, faced with repaying their loans to the government if not to the bank, regardless of whether they get an education, stand to lose.

CALIFORNIA CASE

Student borrowers are left holding the bag even if a school shuts down as a result of illegal activities. This happened three years ago in California where the state attorney general's office filed a civil fraud suit against self promoting though technically nonprofit Riverside University. The school swiftly forced into receivership was charged among other things with certifying numerous ineligible students for insured loans.

Some had signed up for insured loans but hadn't yet started classes when Riverside folded. Since the school had received and spent their loan proceeds, however, the prospective students had to repay the loan despite receiving neither education nor refunds.

Aroused by what happened at Riverside, California Congressman Jerry L. Pettis and Alphonzo Bell introduced a bill last December aimed at better controlling school eligibility for student aid programs.

"A fine industry which is fulfilling an ever increasing need for good post-secondary education," Pettis asserted, "is being discredited by con men, hustlers and run-of-the-mill incompetents."

To protect students, their bill would relieve insured-loan borrowers of their debts if it was found the schools which short-changed them should never have been eligible for the program in the first place.

[From The Washington Post, June 25, 1974]

SCHOOLS LURE VETERANS WITH TOOLS AND TVs

(By Eric Wentworth, Washington Post Staff Writer)

"Build and keep one of today's most advanced color TVs!" urged Bell & Howell in its three-page advertisement in the April Reader's Digest. "It's the perfect spare-time project . . . an enjoyable way to learn about the exciting new field of digital electronics!"

The ad, one of many Bell & Howell has been running, invited readers to send in for more details and a free booklet about GI Bill benefits.

The GI Bill, according to George P. Doherty, who headed the company's education ventures until resigning recently, has been subsidizing about two-thirds of the 150,000 students taking Bell & Howell correspondence courses in color-television technology, other electronics fields and accounting.

Bell & Howell, in fact, is one of numerous companies selling correspondence courses in subjects from color-television technology to motel management that have found the GI Bill a bonanza for enrollments.

Veterans pursuing conventional classroom educations receive fixed monthly benefits regardless of their expenses—a system causing repeated outcries as tuition and living costs soar. But those taking correspondence courses are reimbursed for completed lessons at a flat 90 per cent of the tuition, whatever it happens to be and whatever—such as expensive "build and keep" television sets—it happens to cover.

The market subsidized by the GI Bill is immense. When Congress launched the present program eight years ago, it provided benefits not only for Vietnam veterans but for all those who had been mustered out as far back as 1955. And, for th first time it extended coverage to active-duty servicemen.

All told, the present GI Bill has rendered some 9.7 million young and not-so-young Americans eligible for benefits. Through last June, the Veterans Administration had spent some $8.1 billion on training benefits for more than 4.1 million of those eligible—making the GI Bill by far the largest federal student subsidy program.

Companies selling education for profit—including big corporations such as Bell & Howell which have entered the field since the current GI Bill began—have taken advantage of this student market in a massive way. While most people might think of veterans using their benefits to study on college campuses, nearly one in four has been spending them on commercially sold correspondence courses.

In 1972, according to Veterans Administration data published last fall by Educational Testing Service, 12 profit-seeking schools each enrolled more GI Bill students than the University of Maryland at College Park.

Advance Schools, Inc., of Chicago led the VA list with 51,114 GI Bill correspondence students, more than the total students bodies—part-time as well as full-time—of American, George Washington and Georgetown universities combined.

Commercial Trades Institute, owned by Montgomery Ward, was second with 34,880 GI Bill students. Further down the list were two Washington-based schools owned by McGraw-Hill: Capitol Radio Engineering Institute with 8,564 GI Bill enrollees and National Radio Institute with 7,901.

The University of Maryland at College Park, with the largest GI Bill enrollment that year among all public and private nonprofit institutions, had only 4,381.

Companies in the correspondence-school business have captured a big share of the market through aggressive selling. Their ads appears in Army Times, Argosy, Action Comics, Popular Mechanics, Popular Electronics, Penthouse, Front Page Detective, Glamour Hot Rodder, Ebony, National Enquirer and a host of other publications.

These ads extol the high pay and status, even the excitement and glamor, that supposedly await students completing the course. Cleveland Institute of Electronics, promoting its color-television course, claims, "You'll Be Dynamite."

The ads also state "Approved for Veterans" or similar wording assuring readers that the courses qualify for GI Bill benefits.

Some companies exploit the GI Bill blatantly. Recently, for example, Commercial Trades Institute display boxes crammed with "take one" cards appeared in a laundry and a delicatessen on Wisconsin Avenue here. The red-white-and-blue cards, headed "Attention All Veterans," with an American flag in one corner, read, "It will pay you to learn about your benefits under the GI Bill. Specialized home study training for those who qualify. Tools and equipment furnished and are yours to keep."

Veterans could mail in one of the pre-addressed cards for more information about courses in color-television servicing and six other subjects.

590 SALESMEN

Some correspondence-school companies rely wholly on ads and promotional mailings. Advance Schools, on the other hand, uses 590 fulltime salesmen oeprating out of 147 district offices. Bell & Howell uses both ads and salesmen, of which it has 400 for its electronics courses and another 100 for accounting.

The European edition of Stars and Stripes published a special series last November on how some correspondence school salesmen, including retired military officers, were preying on enlisted men overseas. Stars and Stripes reporters found salesmen gaining illegal entry to military bases, signing up soldiers without worrying whether they could benefit from the courses, inducing them to evade required counseling with base education officers, and even supplying them with exam answers to hasten their progress.

Two years ago, the VA and Congress decided the GI Bill was making it all too easy for profit-seeking correspondence schools to sell their courses—and both taxpayers and consumers were suffering as a result.

A special General Accounting Office report showed 75 per cent of the veterans and servicemen whose GI Bill benefits had stopped were dropouts. Only about half of those who finished their courses and sought training-related jobs were successful.

One could well conclude, though the GAO didn't say so, that there had been a massive waste of tax money in GI Bill subsidies to veterans who dropped out of their courses.

Though GI Bill benefits were supposedly covering 100 per cent of tuition at that time, the GAO found some 134,000 dropouts had paid an estimated $24 million out of their own pockets. This occurred because VA based benefits on lessons completed, while schools accredited by the National Home Study Council—as most were—based student charges on the elapsed time since they first enrolled.

Congress adopted a package of reforms. GI Bill benefits would cover 90 per cent, instead of the full 100 per cent of tuitions. A "cooling-off period" would require GI Bill students to reaffirm their intentions in writing at least 10 days after signing an enrollment contract. And servicemen would have to consult with base education officers before applying for benefits.

Congress also accepted the National Home Study Council's refund-policy reform for accredited schools, which would tie refunds to percentages of lessons completed.

The reforms took effect Jan. 1, 1973, and had a marked effect. VA reported that new enrollments in commercial correspondence courses during the first six months fell 27.8 per cent, from 130,937 a year earlier to 94,495. New enrollments by servicemen alone dropped dramatically, from 26,190 to 12,803.

"Somebody out there has been saying something right to people about commercial correspondence courses," Col. John J. Sullivan, Pentagon adult education director, told a gathering of military-base education officers last fall in Dallas.

PROBLEMS PERSISTED

Serious problems, however, have persisted. Dropout rates have remained high. Even Bell & Howell, promoted as the "Cadillac" of correspondence schools, reported that at most 50 per cent of those who sign up for its courses actually complete them.

The Stars and Stripes articles, a recent Boston Globe series, and The Washington Post's own investigations confirm that sales abuses still occur.

And, in particular, the fact that GI Bill benefits for commercial correspondence courses remain pegged to tuition rates—even at 90 per cent instead of 100 per cent of those rates—helps perpetuate the program's heavy costs.

To the extent tuition rates cover marketing as well as instructional costs, the GI Bill subsidizes both.

A study funded by the Carnegie Corp. six years ago estimated medium-sized correspondence schools were spending 40 to 45 per cent of their budgets on sales and promotion, and less than half that amount—17 per cent—on direct instructional costs.

A Washington Post reporter mailed in coupons or letters answering the ads of some three dozen commercial correspondence schools to learn about their promotional methods. They responded with salvos of folksy form letters and elaborate glossy brochures.

National Camera, which runs a camera repair school based in Colorado, was the most prolific. It sent a total of 14 pieces of mail over an eight-month period in response to one inquiry.

Getting no response to its initial mailings, LaSalle Extension University wrote, "When you first inquired about the LaSalle course in motel/hotel training you had taken a positive step toward a bigger future. And now, for some reason, you have faltered along the way."

EYE-CATCHING EQUIPMENT

Many companies promote their courses with a heavy stress on expensive or eye-catching hardware which they would supply with the lessons. They seemed to include such equipment as much to sell the course as to enhance its educational value. In extreme cases, they seemed to be selling equipment rather than education.

This seemed most notably the case with Bell & Howell, Cleveland Institute of Electronics, National Technical Schools, International Correspondence Schools and others selling color-television technology courses in which they featured deluxe "build and keep" construction kits as well as assorted testing equipment.

Anyone can buy such kits by mail order from the Heath Co. in Benton Harbor, Mich., which supplies detailed and readable manuals for step-by-step assembly, maintenance and trouble-shooting. Richard Shadler, Heath's contract sales manager, confirmed that his company sells "Heathkit" color television sets at volume discounts to Bell & Howell and several other schools for them to use in their correspondence courses.

If you buy and build the $599.95 GR-900 or $649.95 GR-2000 "Heathkit" sets from Heath directly, of course, you pay the full price yourself. If you're a serviceman or veteran and acquire a modified "Heathkit" through Bell & Howell's $1,595 correspondence course, however, the GI Bill will cover 90 per cent of your total course cost.

Bell & Howell's Doherty conceded someone could sign up for the course under the GI Bill more to get a 25-inch-screen color television set at a government-subsidized bargain than to get an education in electronics. But there were obstacles, he insisted: the 170-lesson course was difficult and time-consuming, GI Bill benefits were paid only for lessons completed, and students received their "Heathkit" components only in the last quarter of the course.

In addition, the GI Bill is supposed to subsidize only veterans and servicemen whose studies have an educational, vocational or professional objective for which they are not already qualified—and they must state their objective on the benefits application form. Courses with a "recreational or an avocational purpose" aren't supposed to qualify for benefits.

LOCAL RESIDENTS

Nonetheless, Washington Post telephone survey of local residents taking the Bell & Howell course under the GI Bill turned up Pentagon civilians and military officers, business executives, airline pilots and even dentists who said they had enrolled for a hobby, to acquire a new television set, or to learn to repair sets they already owned.

"We don't require them to take a lie detector test," a Veterans Administration official commented.

Aside from $600 television kits, other companies offer a variety of valuable if less glamorous hardware. National Radio Institute included a "handsome window air conditioner that serves as a training unit as well as a welcome addition to your home" in one of its courses.

Belsaw Institute's $275 locksmithing course included a $125 Beslaw Machinery Co. key machine-code cutter and other tools and supplies—total retail value $215, or 78 per cent of the tuition.

The North American Correspondence Schools, owned by National Systems, spiced up their courses with a $129.50 adding machine for accounting, and "three big drafting kits" for drafting.

True, anyone taking vocational or technical training learns more effectively with access to the tools and equipment giving "hands-on experience." Students who attend classes at a school get the access in the school's labs or shops. Correspondence students can't do that, so the schools instead mail them what amounts to their own individual laboratories.

It can be argued that since the schools can't control what happens to equipment in the hands of farflung correspondence students, it makes sense to let the students keep what's sent to them.

"We don't want to go all over the country recovering TV sets from all our students and then have a massive repair operation," Doherty said in explaining why Bell & Howell has correspondence students "build and keep" their color televisions.

Students taking a comparable course through on-site training at one of Bell & Howell's deVry Institutes of Technology use school equipment instead and don't get sets to keep. "A couple of resident instructors are watching over the students," Doherty said, "and the amount of damage is held to a minimum."

There are, however, exceptions to the "build-and-keep" approach in correspondence courses. National Camera mails tools, test instruments and camera components to its correspondence students on temporary loan—requiring refundable cash deposits as high as $233.10 in various phases of the course.

"Their cost, if you had "to pay for each item," National Camera informs its students, "would nearly double tuition fees. To keep tuition cost at a minimum, this equipment is loaned to you."

DIAMONDS LOANED

Likewise, the non-profit Gemological Institute of America loans out on the honor system a series of diamonds worth up to several hundred dollars apiece for students in its appraisal course to grade and mail back.

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Even Bell & Howell itself, according to Doherty, makes an exception in one of its other correspondence courses, on electronic communications. Because one piece of equipment costs $1,000 and is needed for only one phase of the course, he said, the company loans it out under a $100 deposit rather than letting students keep it and pay extra tuition cost.

Some schools padded their offerings with less expensive but less essential paraphernalia which would still add something to tuition costs.

The North American School of Travel, for instance, embellished its travel-agent course with a Rand-McNally globe, wall map and atlas plus a set of Holiday Magazine guidebooks.

Modern Upholstery Institute, an unaccredited California school state-approved for GI Bill students, showed how fuzzy the line can be between educational essentials and non-essentials in correspondence study.

The school started out offering a $255 course, which veterans could take with 90 per cent GI Bill subsidies. The course included more than 125 lessons, upholstering tools, and six kits of materials to make an ottoman, boudoir chair and other furnishings.

Failing to make a sale, the school then offered a "compact" upholstery course in which students would grade their own lessons. The compact course, no longer qualifying for GI Bill benefits, cost $150 with only four kits (no boudoir chair or club chair) or $124 without any kits.

The school claimed that the compact course allowed it to slash costs "without reducing its instructional value in the slightest degree." (Ultimately, the school came up with a "streamlined" course for only $76 in which all the lessons—and a set of tools—would be mailed in "one giant package." Still, it claimed, "not one single vital bit of information has been omitted!")

BONUS DISCOUNTS

North American schools were among the front-runners when it came to offering bonus discounts up to $150, or gifts, to students mailing in enrollment contracts by certain deadlines. Their gifts included a "deluxe travel bag" from the School of Travel and a pair of binoculars from the School of Conservation.

Cleveland Institute of Electronics offered up to 17 "free gifts" worth a total $165.25—including an electronic pocket calculator—for prompt enrollments. And Technical Home Study Schools in New Jersey, also for prompt enrollments, offered an 18–volume "Encyclopedia of Good Decorating" from its Upholstery and Decorating School, and more than 100 key blanks for its Locksmithing Institute.

Still another come-on which several companies used involved opportunities for post-graduating training. Students who could afford their own travel and living expenses could take advantage of the opportunities without extra tuition.

North American School of Conservation offered "a thrilling week, or more" of lectures, field trips and "leisure fun" at its "summer camp in Wyoming's breath-taking scenic beauty."

ENVIRONMENTAL CENTER

Its rival outdoor-careers school, the National School of Conservation (acquired since by Technical Home Study Schools) last fall was offering a week-long "remarkable living and learning experience . . . and, yet, it's like the vacation of a lifetime" at an environmental study center in Wisconsin's North Woods.

Less recreational but perhaps more educational, National Camera offered a two-week "resident seminar" at its Englewood, Colo., headquarters; National Technical Schools offered up to a full month's "workshop training" at its school in Los Angeles; National Radio Institute offered one week's training at York Institute in Pennsylvania for its air conditioning, refrigeration and heating students; and North American School of Drafting offered 50 hours' training at Cleveland Engineering Institute.

School owners, in short, have been able to charge tuitions that cover a wide array of embellishments while GI Bill benefits pay 90 per cent of whatever those charges happen to be.

True, the trade groups' accrediting commissions have fostered generally higher standards of teaching, physical facilities and business practices than would be likely to exist in their absence.

But still they have failed, in case after case, to protect young consumers from being enticed into debt with federally insured student loans by schools that short-change them, or from wasting their GI Bill benefits on costly, blind-alley correspondence courses.

For thousands of veterans and other consumers, accreditation has in fact spelled deception.

ACCREDITING GROUPS

The accrediting groups, to which the U.S. Office of Education grants formal "recognition" and delegates many regulatory duties, aren't solely to blame, however. They are only part of a mixture of public and private agencies that are supposed to be watching out for consumers' interests. These agencies have generally scanty resources, restricted powers, misplaced priorities, conflicting interests and often mutual suspicions.

"The blame for this situation cannot be directed in any one direction," Judith Roman of the Greater St. Louis Better Business Bureau asserted after the collapse of Technical Education Corp last fall stranded thousands of students. "In fact, it is the very nature of the program which diffuses the guilt.

"The individual schools are guilty, of course," she continued. "But, they are accredited and those accrediting commissions are responsible for policing the schools and their policies to maintain standards.

"If the accrediting agency falls short, then it is the responsibility of the Office of Education . . . to remove that agency from their approved list."

Accreditation of education's profit-seeking sector is largely in the hands of three groups, each of which accredits—and counts as members—only a fraction of the schools in its field. They include the National Home Study Council, which accredits about 160 corespondence schools; the Association of Independent Colleges and Schools, which accredits about 500 schools largely in the business-secretarial field, and the National Association of Trade and Technical Schools, which accredits about 400 schools teaching everything from computer programming and welding to fashion merchandising. (Since some companies own numerous schools, these totals overstate the number of school owners.)

The possibly 600 correspondence schools, 700 business-secretarial schools and 3,000 trade and technical schools which aren't accredited may be worse—or in some cases better—than accredited institutions.

Unaccredited schools may be too new to qualify, may have sought accreditation and so far failed, may have held accreditation and then lost it, or—since it's a voluntary system after all—may have simply wanted to avoid the fees, red tape and restrictions that accreditation entails.

For those who want it, accreditation has a number of advantages. It's a mark of respectability, helpful in recruiting, especially since consumers are advised to rely on it. In many states, accreditation brings eligibility for GI Bill enrollments with fewer restrictions—as well as exemption from some or most state licensing regulations. And, with some exceptions, accreditation is a requirement for enrolling students under the federally insured loan program.

DOUBLE ROLES

The three industry groups play double roles. On the one hand they are trade associations, protecting and promoting their members' images and interests on Capitol Hill, with various federal and state agencies, and wherever else they can be helpful.

On the other hand, to perform accrediting functions, they have created commissions which operate with somewhat tenuous independence. The commissions are charged with enforcing numerous standards which—on their face—appear to go far toward assuring that accredited schools are educationally sound, financially stable and ethical.

Unfortunately for consumers, however, too many accredited schools have ignored, distorted, or defied these standards—and gotten away with it for months, even years.

When federal auditors last year challenged the president of Technical Education Corp., Charles R. Johnson, for failing to abide by National Home Study

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Council refund standards, Johnson insisted those standards were mere "recommendations" which his school could—and did—reject.

Practically all the school problems described in these articles, in fact, developed at accredited schools.

The basic problem: industry accrediting groups are neither inclined nor properly equipped to act as policemen despite the regulatory responsibilities they've had delegated to them.

"Accreditation," said William A. Fowler, National Home Study Council executive director, "is not really designed for day-by-day enforcement of individual rules."

"We would rather be helping schools to upgrade their programs," explained Dana Hart, executive secretary of the Association of Independent Colleges and Schools' accrediting panel, "than telling them what not to do."

To consumers and other outsiders, a school either is or isn't accredited. From the vantage point of the accreditors, however, matters are less clear-cut.

STIPULATIONS APPLY

Bernard H. Ehrlich, counsel for both the home-study and trade-and-technical groups, said many schools are accredited "with stipulations"—condtions, based on sometimes serious deficiencies, which they are told they must satisfy to stay accredited. "If you try to explain this to the public," Ehrlich insisted, "how would the public understand?"

All three groups have procedures, both formal and informal, for handling problems that arise with accredited schools. If a complaint from a student or one of the school's competitors seems minor, an accrediting-group official may try to work things out with a phone call or letter. When the problem appears serious, particularly when the Office of Education wants action, the accrediting commission may launch a formal—and confidential—investigation.

Investigations typically include inspecting the problem school with a team comprising officials from other schools and an accerditing group representative. Depending on the team's makeup and other circumstances, such inspections may be searching or superficial.

A federal official who accompanied one National Home Study Council team's visit to a problem school on the West Coast last year reported finding the team inadequately briefed on what to look for, one member arriving hours late, the school's required self-evaluation report "totally inadequate," and the inspection's five-hour duration insufficient.

Many months may elapse from the time an accrediting commission launches an investigation until its final decision to withdraw a school's accreditation. The Home Stuudy Councils commission, for example, decided to investigate Technical Education Corp. in May, 1973, after learning from the Office of Education—which had suspended insuring its students' loans—that the St. Louis school was in trouble.

INSPECTION TEAM

But commission procedures allowed Technical Education time to prepare and submit its self-evaluation report and pay the inspection fee. Hence, the inspection team's visit wasn't scheduled until October.

It was too late. The day before the visit, Fowler recalled, the Home Study Council got a phone call from St. Louis Technical Education—out of cash—had collapsed. (Two days later, at a hastily called meeting, the accrediting commission accepted the school's resignation from accreditation to prevent further delays in decision-making.)

At least the home study accreditors' investigatory wheels had been turning. William A. Goddard, executive director of the trade and technical schools association which also accredited Technical Education, said he hadn't been aware that the school was in trouble before it closed.

"The last financial statement we got from them was not the strongest," Goddard said, "but it indicated the school would last. This was one of the schools we thought we knew."

The three accrediting groups, while relied on by the Office of Education to regulate their schools, are nonetheless private agencies subject to all sorts of legal constraints. This was dramatized four years ago when Macmillan, Inc., (then Crowell Collier and Macmillan) sued the Home Study Council.

The giant publishing concern claimed that the council had violated due process by denying reaccreditation to its six correspondence schools—among them LaSalle Extension University—and by publicizing the denial. Macmillan also challenged the Office of Education for recogniizing and delegating duties to a trade association.

The case was settled out of court, Macmillan set about upgrading its educational programs, while Home Study Council agreed to continue the schools' accreditation and revise its own procedures. Though the council and its accreditors were thus spared prohibitive legal cost, the public lost a chance for court rulings on some basic issues.

MACMILLAN SUIT

The Macmillan suit, other legal challenges to accreditation and pressure from the Office of Education led all three accrediting groups to build more due process into their decision-making. They developed provisions for school owners to respond to charges, for hearings, for appeals—and for bans on pubilicity until a final decision to withdraw a school's accreditation.

These provisions, as followed today, tend to protect school owners from ill-considered decisions, protect accrediting groups from more frequent lawsuits, protect the Office of Education's continued reliance on private accreditation—and leave student consumers more in the dark then ever, over longer periods of time, about serious school problems.

"If we were free from legal liability," said Richard A. Fulton, executive director of the Independent Colleges and Schools Association, "we would be delighted to run up the flag and say we're investigating the problems of X, Y and Z schools" Fulton conceded, however, that his group has never sought such immunity.

Even when an accrediting body does withdraw a school's accreditation, it holds publicity about the decision to a minimum. "It's not up to us," Fulton insisted "to put the scarlet letter on the forehead of a school."

Often schools which have their accreditation withdrawn have already gone out of business anyway. Opinions differ on whether withdrawal can be fatal to those still operating, but certainly schools heavily dependent on federal student aid are hard hit when withdrawal costs them their eligibility. In any event, accreditors generally appear more inclined to prod away at a school in hopes it will eventually clean itself up than to use their ultimate weapon and kick it outof the club.

If the accrediting groups could be more aggressive in protecting the consumer, so could the Office of Education. In its statutory role of "recognizing individual accrediting groups, the Office of Education occasionally has shown as much tolerance toward their shortcomings as they have shown toward accredited schools.

The federal agency's accreditation staff, while well-intentioned, is short of people and overwhelmed with paper work. It must screen applications for initial or renewed recognition, provide staff services to a committee advising the education commissioner, and try as best it can to monitor some 50 recognized accrediting bodies.

HANDLING COMPLAINTS

Practical necessity, then, as well as legislative authority has led staff director John R. Proffitt and his aides to depend heavily on the accrediting groups to handle complaints against individual schools and enforce standards generally.

While the Office of Education has prodded an accrediting group to remedy lapses in performance—such as a serious conflict-of-interest episode in the Association of Independent Colleges and Schools—its dependence is such that it has never used its power to revoke a group's recognition.

One well-versed critic has called this symboitic relationship an "unholy marriage, dangerous to both parties, failing adequately to protect the public and student interest while endangering the independence of accrediting agencies.

Down the hall from Proffitt's staff, the Division of Insured Loans has also mixed good intentions with mediocre performance in protecting student borrowers. Division officials have become increasingly concerned over the past three years about accredited profit-seeking schools which have abused the insured-loan program at students' expense.

BEST COPY AVAILABLE

At the outset, these officials understood that so long as the schools kept their accreditation they remained necessarily eligible for insured loans. To remedy that, Congress in 1972 gave the Office of Education authority to audit schools and to limit, suspend or revoke their insured-loan eligibility.

Yet nearly two years later the Office of Education still hasn't published the regulations required to exercise that authority.

SUSPENDED INSURANCE

Meanwhile, federal officials have resorted to several ad hoc devices to curb predatory recruiting, wrongful withholding of refunds or other school abuses. For one, they have suspended some schools' authority to make insured loans to their own students.

For another, they have gone further and suspended insurance on loans from any lender for students at a given school. Intended to force the school owner to clean up his operations, this device in some cases has dried up the school's cash flow and driven it out of business—stranding students with unfinished educations and no hope of refunds, yet still with loans to replay.

According to Technical Education's Johnson, it was the Office of Education's suspension of loan insurance which "broke us."

Federal insured-loan officials had a more promising approach going for awhile. when a school's recruiting tactics aroused suspicion, they would send questionnaires to individual student loan applicants the school was enrolling. In numerous cases, the applicants, if they replied at all, proved ineligible, unaware that they would be going into debt, or misinformed about their eventual repayment obligations. Many would cancel their loan applications and pull out of school.

In a case two years ago involving 20 young people recruited for International Business Academy in Oklahoma City, questionnaires brought no response at all from 11 and canceled applications from four others. Further checking showed another student was still in high school and thus ineligible, and two more were high school dropouts unlikely to succeed in the training.

Predictably, some school owners complained angrily about the questionnaires—a lawyer for one called them "heavy handed"—and last fall the Office of Education abruptly told its regional offices to stop using them. Someone, it seemed, had convinced Office of Education officials in Washington that they were breaking the rules since the questionnaires didn't have proper bureaucratic clearance and were being used only selectively—that is, against certain schools.

FRESH QUESTIONNAIRE

Soon afterward, a top official in the Office of Education's insured loans division said his staff was working on a fresh questionnaire and would seek proper clearance to use it. More than six months later, that project was still hanging fire.

For their part, various spokesmen for the profit-seeking school industry criticized the Office of Education for being inconsistent, confusing, uncommunicative or even devious—as when, they assert, loan applications submitted for insurance approval mysteriously "get lost in the computer."

Elsewhere in the government, the Federal Trade Commission has been relatively aggressive in policing the school industry. Two years ago, after extensive hearings, the FTC laid down "industry guides" defining what it considered unfair or deceptive in advertising, recruiting and related school practices. About the same time, it issued proposed complaints against some industry giants—Lear Siegler, Control Data and Electronic Computer Programming Institute.

Last August, the FTC launched a nationwide media campaign to help consumers recognize and escape school abuses. And in hopes of laying out further rules—on refund policies for example—it has continued investigating industry problems.

Still when it comes to enforcement activity, the FTC's investigations have been necessarily tedious, its proceedings ponderous, and its penalties limited. While its case against Lear Siegler is still pending, for example, the company—for unrelated reasons, officials say—has nearly finished selling off all its schools.

The Veterans Administration, responsible for the multibillion-dollar GI Bill program, is required by statute to delegate most supervisory duties to "state approval agencies"—which vary considerably in staffing, other resources and diligence.

While VA supervises as well as subsidizes these state-level surrogates, and spot-checks schools to some extent itself, there is little evidence that "Approved for Veterans" protects consumers any better than accreditation.

State governments, for their part, have school licensing or approving agencies of their own. They, too, and whatever laws they have to enforce, are a study in contrasts. Some states, like Florida and Texas, aroused by past profit-school scandals, provide relatively effective regulations. Others such as California have laws flawed by loopholes, and still others have practically no regulation at all.

The Education Commission of the States sponsored a task force's development of model state legislation last year. It hoped to encourage a more even and effective level of state-by-state regulation. But Indiana's Joseph A. Clark, who heads the new National Association of State Administrators and Supervisors of Private Schools, said his group would come up with a different and better bill.

REGULATORY CRAZY QUILT

Washington Post interviews with federal, state and accrediting groups officials throughout the existing regulatory crazy quilt repeatedly encountered disagreements, distrust and mutual criticism: Office of Education officials who look down on VA's state approving agencies, FTC officials who find the Office of Education paperbound and lethargic, state officials who scorn the accrediting groups while resenting FTC incursions on state's rights, accrediting officials who consider the Office of Education inconsistent or indecisive, and the like.

Such discord, among people supposedly sharing to some degree the same broad objectives—good schools, satisfied students and well-spent tax money—dramatize the political obstacles to improving the system.

Improvements, however, are badly needed. While specific remedies are open to debate, the general needs include these:

A far higher priority, among all concerned, for protecting student consumers.

More aggressive, methodical monitoring of school marketing practices, financial stability and other matters in which consumers have a stake.

More timely and effective enforcement of government regulations and accrediting standards—and in the case of the accrediting commissions, open rather than secret proceedings.

For correspondence schools, a requirements that GI Bill benefits be spent on educational essentials rather than extravagant color television sets and other window-dressing.

And for the insured loan program, relief from debts when student borrowers have been defrauded or short-changed.

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TRAINING BY MAIL

(By Patricia Marshall)

Last year more than 5 million Americans were enrolled in correspondence courses—about two-thirds as many students as attended all U.S. colleges and universities. By age, occupation, and course of study, correspondence students are a varied lot. But most of them have one thing in common: Their studies have a vocational purpose; they learn to earn. Most of those taking mail courses hope to move up military or civilian job ladders, enter a different occupation, learn a work skill, or update their training to keep pace with technological change.

Neither snow, nor rain, nor heat, nor gloom of night stays the postal delivery of correspondence school lessons. Some 15,000 courses, many of them duplicating each other, are on the market. Through the mails, people study accounting, aeronautical engineering, algebra, architectural design, auto body repair, basic English, carpentry, computer programing, criminal identification, fiction writing, insurance law, millwrighting, municipal administration, nuclear instrumentation, plastering, salesmanship, surveying, typewriter repair, tool and die making, traffic management, welding, waterworks and sewage plant operation, and other vocational, avocational, and academic subjects.

The largest purveyor of correspondence education is the Federal Government, led by the Armed Forces. More than a million servicemen and women take career-oriented courses and, through the U.S. Armed Forces Institute, another 350,000 study academic subjects that range from elementary through college levels. All told, military personnel make up over 60 percent of the people who study by mail.

Next in numbers of students are private schools selling home studies to the general public. With a few exceptions they are in business to make a profit. The National Home Study Council, an organization with a membership of 122 such firms, reports that 800 private schools it surveyed had a student body last year of more than 1.6 million people. Statistics on the private sector are incomplete. There are many small school not reached by surveys, and there seem to be quite a number of schools that are difficult to locate because they resort to frequent changes of their names and bases of operation to avoid regulatory authorities.

Colleges and universities also market correspondence studies, and labor unions, trade associations, religious groups, and nonmilitary branches of the Federal Government develop such studies to serve their own needs.

Correspondence schools started up in the U.S. toward the end of the 19th century. One of the earliest, now a multimillion dollar enterprise, grew out of efforts of jobseekers to meet a requirement of Pennsylvania mine safety legislation that all mine inspectors and superintendents pass a qualifying State examination. A small town newspaper editor, who first agitated for mine safety measures and then promoted them, printed booklets to ready applicants for the test. Booklet lessens were followed by questions to guage the readers' grasp of their subject matter, and answers were sent to the newspaper, where they were corrected and graded.

EMPHASIS ON JOB TRAINING

Success in this venture led to a correspondence course in coal mining with sections on mining legislation, coal geology, mining methods, mine surveying and mapping, and—to shore up an important but often weak area—arithmetic. The entire course sold for $25, and students had up to 3 years to complete it. Soon added to the curriculum were courses for people who worked above ground: Steam engineering, electricity, architecture, plumbing, sheet metal pattern drafting, civil engineering, heating, bookkeeping, stenography, and English. Such studies made it possible for ordinary people, many of them immigrants, to work for a living at the same time that they equipped themselves to earn a better one.

Correspondence schools have maintained the heavy emphasis on job preparation that attended their birth. Most Armed Forces instruction of this kind is closely related to military requirements. All but a few member schools of the National Home Study Council teach subjects with a strong blue collar coloration or are in clerical, sales, applied science; or service fields rather than in purely academic ones. The practicality of subject matter is pointed up by school advertising and brochures with such messages as: "Train for a Job with a Future!" and "Opportunities Unlimited for Qualified Personnel," and "The Future Belongs to the Man Who Prepares for It."

Industries most often use correspondence studies for apprenticeship training. Currently in effect are more than 10,000 company agreements with private home study schools.

Republic Steel Corp. has used mail studies for apprentices since 1947, according to H. J. Kirkstadt, supervisor of employment and recruiting. These studies are now used in a number of company plants for training machinists, tool and die makers, electricians, roll turners, and mechanical and electrical draftsmen.

To pay for the course, an apprentice has $10 a month deducted from his pay for 4 years. The company provides a supervised classroom to give apprentices a quiet place to study on company time, and at the end of their apprenticeship, if they are still at Republic, they receive a bonus which more than covers the cost of lessons.

At present, 226 apprentices are in the program. Of some 340 graduates who still work for the company, 20 percent are now in supervisory positions.

"These studies are well adapted to our needs," Kirkstadt said. "One apprentice at a time may begin training. He does not have to wait for a group to form, nor does he have to work on the same shift with other apprentices. What's more, he is able to progress at his own speed through the course."

The company is spared the need to hire teachers and correct and grade test papers, responsibilities of the correspondence school. A disadvantage of the system, Kirkstadt said, is that apprentices do not have a chance to discuss their lessons in a classroom situation and must wait for the mails to bring an answer to their questions from an instructor at the school.

A number of unions run their own correspondence courses for apprentices. The International Typographical Union (ITU) began putting its imprint on this training method more than 50 years ago. Today each ITU apprentice working in a commercial job shop or on a newspaper must finish 10 volumes of correspondence studies prepared by the union's education bureau. Studies are correlated with daily shop work to help the apprentice master all fundamentals of his trade. Completed lessons are sent to the education unit for correction and grading, then returned to the student. The local labor-management committee, which keeps tab on his progress, gets a copy of the scores.

NEW TECHNIQUES TAUGHT

Seven years ago, ITU Local 101 in Washington, D.C., was instrumental in starting a special correspondence course for printers. Supplied by a private school, the course trains printers in the operation and maintenance of electronic equipment that is being used with increasing frequency to set type through photographic processes. It is open to ITU members, both journeymen and apprentices, throughout the country.

The International Printing Pressmen and Assistants' Union of North America currently has 5,500 apprentices using correspondence studies teamed with job experience. An apprentice selects one of nine correspondence subjects to tally with the type of press operation or related work that is his specialty. Lessons are free and mailed at regular intervals during the apprentice's 4-year indenture. An examination board, elected by the local union, corrects and grades unit tests.

To help keep up craft standards, the national lathing industry's joint apprenticeship program less than 2 years ago developed a course of correspondence studies. If local unions in the program have as many as 10 or 12 apprentices, they use the course's five volumes of textbooks in classroom sessions led by trained instructors. Otherwise, the same texts are used as individual correspondence courses. This assures that all apprentices cover the same ground.

Craftsmen and foremen make more extensive use of correspondence courses than any other civilian group. They make up more than a third of all students, according to "Correspondence Instruction in the United States," a recent study done under the Correspondence Education Research Project (CERP) financed by the Carnegie Corp. and published by McGraw Hill. Professional and technical workers come next with half as many students, followed by managers, officials, and clerical workers with only a few.

Nearly 20 percent of the veterans and servicemen using the GI Bill's educational benefits do so by mail, but they must get approval for each course from a State agency, generally the Department of Education, and their enrollment must have vocational objectives. They might avoid costly mistakes by talking to potential employers or the nearest State employment service office.

Many correspondence school students, it appears, may be limited in training opportunities by where they live as well as by the need to finding training that fits into busy, working lives. The Carnegie report says that nearly half the adults taking correspondence courses live in areas with less than 50,000 population, and few live in large cities.

On the basis of salary, use of correspondence schools is highest among people in $4,000-$6,000 a year brackets—an indication, the report says, "that corespondence instruction has earned the reputation of being a poor man's school." But the report makes it clear that it takes a special kind of poor man to benefit from this type of instruction, for it points out that:

The worker who studies at home may have to cope with disruptive noise and activity and find it hard to study.

Mail lessons rely largely upon one means of communication—the written word—and not all people learn equally well from materials in this form.

Student motivation and persistence must be extremely high.

"Nonstarts," people who sign up for courses but fail to complete the first lesson, are common in correspondence instruction. The dropout rate, students who complete some lessons but fail to finish the course, also is high. Some private home study schools report a 70 percent dropout rate and there is [illegible] 90 percent rate in some business and industry courses. Universities lose ab[illegible] 27 percent of their correspondence students after one lesson. Not surprisingly, student motivation is ranked by private home study schools as their most severe problem, and university and military course directors also put it high on their lists.

But for some people—determined students signing up with quality schools for courses that meet well-defined and realistic goals—correspondence courses may offer a great deal. School dropouts complete high school studies through the mails. Electronic engineers keep up to date on solid-state device parameters, integrated circuits, pulse techniques, and other techniques of their trade. Military men about to retire prepare for civilian occupations, and housewives complete interrupted college studies or take courses to prepare themselves for a job outside the home. Bank employees study accounting, commercial law, trust department services, and savings and time deposit banking to prepare for management positions. Many people have studied by mail, learned what they set out to learn, and gained tangible benefits.

Satisfied students cite as advantages of correspondence instruction its access ("as close as the nearest mailbox"); pace ("all students do not learn at the same rate, and individuals do not learn all subjects with equal ease"); flexibility ("students can control study time to fit around hours of other activities"); selectivity ("the student studies and pays only for what he wants and not for subjects that might be required by a college or other educational institution"); and individuality ("each student is in a class of one and has his instructor's complete attention").

In courses where equipment is essential for learning, home study schools supply kits so that students can carry out exercises and tests on a kitchen table instead of in a shop or lab. Obviously, these kits must be fairly simple and inexpensive and do not provide the kind of laboratory experience that takes place in high schools and colleges.

Study by mail has some booby traps for the unwary. The Carnegie report warns: "The correspondence instruction market is wide open to fraudulent operators. Anyone or any group can become a correspondence instruction supplier." It notes that the need for regulation lies primarily within the broad range of private home study schools: "When profit is the main objective, the risk of fraudulent operation is high."

Regulation of correspondence schools comes under State jurisdiction, but a number of States have not set standards for these schools or have minimal license requirements, with the result that they may attract dishonest enterprises. Among these are so-called "diploma mills" which award worthless certificates. Some schools pass out doctor of philosophy, doctor of psychology, and other degrees after a course lasting only a few months.

Some schools make misleading statements about course content and employment opportunities. They may suggest that graduates will earn from $12,000–$13,000, without explaining that years of experience are necessary to get this salary in the occupation covered by the course. Schools sometimes mask the fact that they sell correspondence courses by running advertisements in "Help Wanted" columns which suggest an offer of employment; salesmen using a hard-sell approach work on people answering ads. Or schools may simply sell enrollments and offer no lessons of any kind.

Federal agencies have some weapons to use against such schools. The Post Office Department investigates complaints of alleged mail fraud and turns findings over to U.S. attorneys. The Federal Trade Commission has authority to halt unfair methods of competition and unfair or deceptive acts or practices in commerce. Often this involves time-consuming procedures, and in the interim a lot of people can be badly hurt.

The FTC constantly receives complaints from students who have been misled by sales pitches, and warns prospective students and their counselors to be especially on the alert for verbal misrepresentations by correspondence course salesmen. An FTC attorney also advises full understanding of any contract provisions for cancellation and refunds of fees and tuition because contracts are commonly sold to a third party. This action leaves students without legal defense against the third party even when they are disappointed in the course and want to drop out of it or when the school fails to hold up its end of the contract.

ACCREDITING STANDARDS SET

William J. Cotter, Chief Postal Inspector, says that the Post Office Department has investigated 385 correspondence schools in the past 6 years, and 120 criminal indictments for mail fraud were returned by Federal grand juries. Sixty-one individuals were tried and convicted in this period. Cotter says that in closed cases where fraud was proved and people were convicted, or in borderline cases where schools discontinued operations without convictions, students and parents had spent roughly $22 million for instruction. Much of this money came out of the pockets of people least able to part with it—and willing to make great financial sacrifies to qualify for better jobs. Sometimes whole families were talked into signing up for worthless courses.

Fraudulent practitioners also hurt legitimate, profitmaking schools that try to offer honest value in the courses they sell. To build public trust and recognition and to promote sound standards and ethical practices in the home study field, several quality schools some years ago formed an association, the National Home Study Council (NHSC). To gain association entry, schools must pass inspection by NHSC's Accrediting Commission, which is listed by the U.S. Office of Education as a nationally recognized accrediting agency. Each school accredited by the commission must meet these standards:

Clearly state educational objectives.

Offer up-to-date, educationally sound instruction methods to meet these objectives.

Provide adequate examination services, encouragement, and attention to individual students.

Have a qualified faculty.

Screen students for admission.

Show satisfactory student progress and success.

Advertise truthfully.

Carefully select, train, and suprevise field representatives.

Have adequate financial resources to deliver high quality educational service.

Charge reasonable tuition, use reasonable collection methods, and have a satisfactory refund policy.

Demonstrate a satisfactory period of operation.

Schools must maintain standards once they get into NHSC. Last year the Accrediting Commission dropped eight member schools, including some big names, for failure to meet requirements. A directory of accredited member schools is available from the National Home Study Council, 1601 18th St., NW., Washington, D.C. 20009.

Not all quality private schools are accredited, however. Some reputable schools choose to operate outside NHSC; some market religious studies, which the Council's Accrediting Commission does not care to judge; some are too new to meet the requirements for 2 years of satisfactory operation before accreditation is considered.

Colleges and universities offering studies by mail are regionally accredited and are members of the National University Extension Association, National Center for Higher Education, One Dupont Circle, NW., Washington, D.C. 0036, which publishes a 50-cent list of available courses.

Accreditation gives public recognition to schools that meet certain standards, but it does not assure students that they will get courses which mesh with their career requirements and the realities of the labor market where they live.

The student aiming for a soil conservation or computer programing career may find, after finishing a home study course, that local employers do not accept such studies although employers in distant cities will. Students may prepare on their own for jobs where opportunities are going down rather than up. Unless they take training sanctioned by unions, industries, or trade associations, students may need guideance in deciding whether courses fit their needs.

BOOST IN QUALITY URGED

Nearly any subject can be taught in part by correspondence, and many subjects lend themselves to teaching entirely by this method, according to the CERP study. But the CERP report warned that suppliers of home studies must correct some serious deficiencies in their product if they would continue to have an important role in U.S. education.

Text materials and quality of instruction of many schools must be improved, the report said. The researchers recommended that home study texts be prepared and marketed commercially like those used in public schools and colleges. Competent instructors should be especially trained to teach correspondence studies.

The report also recommended that a national examining university be organized to set standards for correspondence courses, provide accreditation, and test and validate student educational experience—however gained—in units acceptable to the academic world. This would meet practical needs of students outside the formal education system and enable them to get validation for purposes of employment, promotion, certification, license, or entrance to college.

The CERP study found that with high quality in home study courses, and the special advantages that such studies hold for many people, correspondence instruction can play a useful part in meeting modern day needs for lifetime education, training, and retraining.

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